UNIT
6
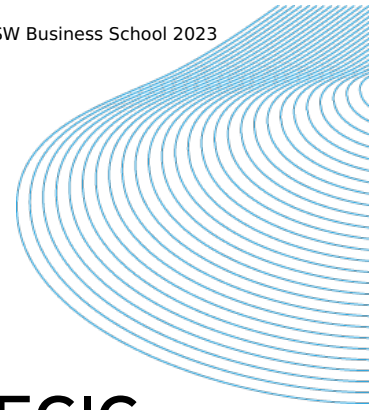
STAYING FLEXIBLE: MAKING STRATEGIC AGILITY WORK

Prescribed readings are placed in context within the Units of this eBook, but they are not linked in this eBook. **Links to all of the prescribed readings referred to in this eBook are available to you in your Moodle class site - please see the link to your Leganto Reading List.** Please go to that reading list as you begin engaging with these materials and download all the readings for your easy and ongoing access as you work through this eBook.

INTRODUCTION

Short Story 6.1 (practical application):

Please read Short Story 6.1 (practical application) – in which the CEO of Slack discusses how the organisation responded to a global crisis.
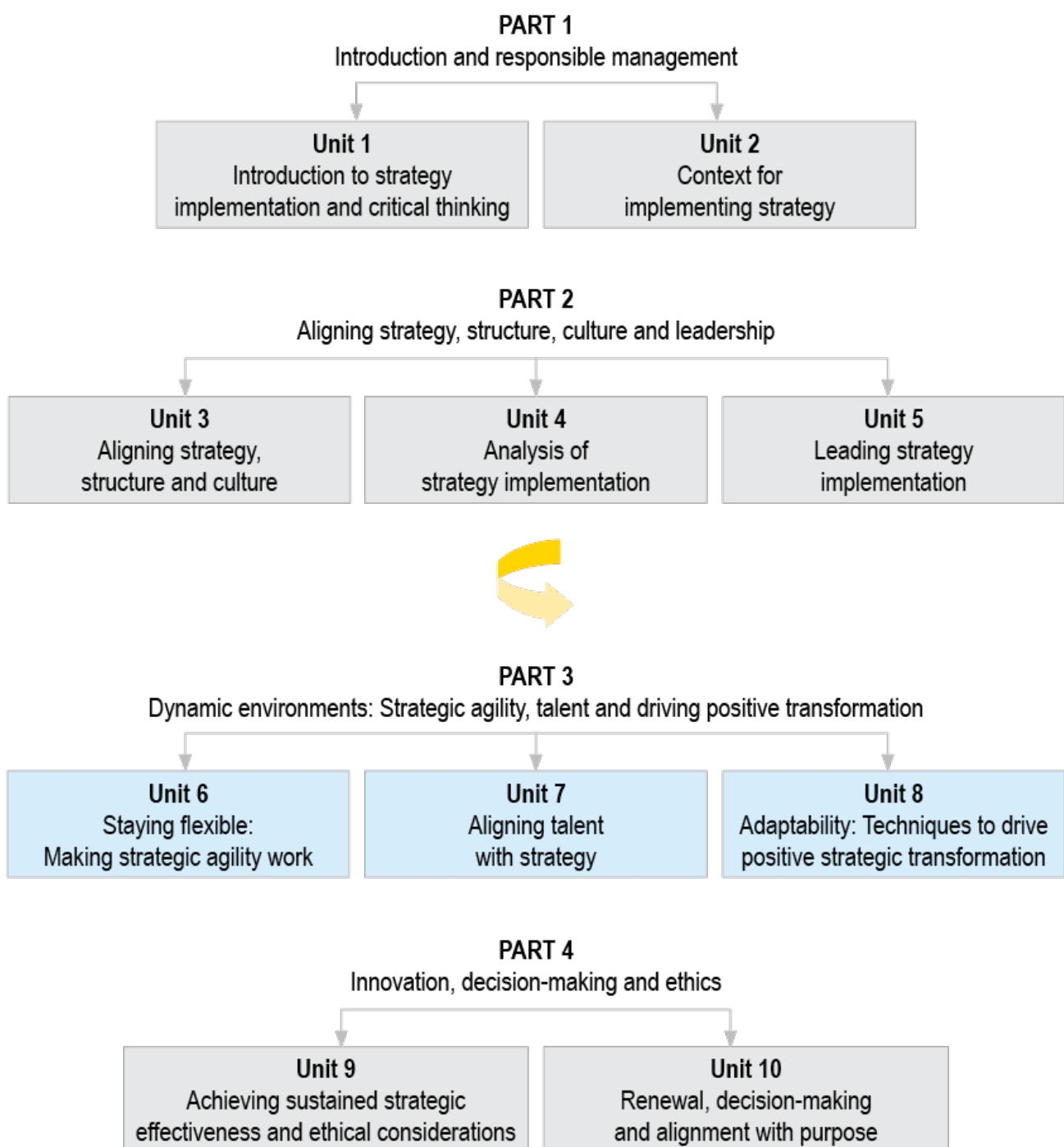
INTRODUCTION TO THE SECOND HALF OF THE COURSE

In this second half of the course, we look at sustaining success (Units 6–10). Contemporary organisations face dynamic environments with multiple challenges, many stakeholders and increasing requirements for sustainability. Most organisations stay stuck in neutral when they need to implement a new strategy or improve the current strategy. When circumstances change,

organisations must ask questions about how to 'pivot' the strategy. We will look at a spectrum of themes, including sustainability, strategic agility and resilience. We continue to integrate key leadership skills for implementing strategy, including critical thinking, ethical leadership and teamwork.

INTRODUCTION TO PART 3 (UNITS 6–8)

In Part 3, we discuss dynamic environments. We will look at how organisations must have strategic agility, develop talent effectively and drive positive transformation. Figure 6.1 illustrates how the four different parts of this course fit together.

Figure 6.1 *Overview of the course*

PART 1
Introduction and responsible management

Unit 1	Unit 2
Introduction to strategy implementation and critical thinking	Context for implementing strategy

PART 2
Aligning strategy, structure, culture and leadership

Unit 3	Unit 4	Unit 5
Aligning strategy, structure and culture	Analysis of strategy implementation	Leading strategy implementation

PART 3
Dynamic environments: Strategic agility, talent and driving positive transformation

Unit 6	Unit 7	Unit 8
Staying flexible: Making strategic agility work	Aligning talent with strategy	Adaptability: Techniques to drive positive strategic transformation

PART 4
Innovation, decision-making and ethics

Unit 9	Unit 10
Achieving sustained strategic effectiveness and ethical considerations	Renewal, decision-making and alignment with purpose

INTRODUCTION TO THE UNIT

Unit 6 looks at organisational sustainability in dynamic environments that are volatile, uncertain, complex and ambiguous (VUCA). We look at frameworks for strategic agility and organisational resilience. We also consider some examples and learnings from the Covid-19 crisis in this Unit.

THE RATIONALE FOR THIS WEEK'S TOPIC

The idea of unplanned changes or shocks is very relevant for leaders. VUCA is one way of understanding these environments. The concept of changing or pivoting is important for leaders to understand to deal with the changing environments. The concept of strategic agility gives us a framework to analyse and improve the capability to respond to change, which we will continue to examine in more detail in the next two Units.

Topics about strategic agility have been well-received by students in the past. Since the pandemic and related health, geopolitical and supply chain shocks, as organisations make a recovery, many more students had personal examples and could relate to the concept of the strategic pivot. So, the topic is even more relevant!

It's now recognised that 'agility' is not enough in a VUCA world. Resilience is a new and important topic for strategy implementation. When Harvard Business Review asked its readers what they learned in 2022 after a year marked by economic uncertainty as well as pandemic losses, among the most common responses was 'resilience' (Amico 2022).

COURSE LEARNING OUTCOMES (CLOS)

This Unit links to the following Course Learning Outcomes:

1. Describe and critically analyse strategy implementation for an organisation, through the application of various concepts, theories and frameworks.

3. Analyse the complex issues for organisations implementing strategy in dynamic environments.

4. Apply various concepts and frameworks to make recommendations and improve strategy implementation.

UNIT OBJECTIVES

After completing this Unit, you should be able to:

- describe how dynamic environments are becoming VUCA, and the challenges this creates for sustained performance

- explain strategic organisational agility and why this is important

- apply frameworks to make recommendations and improve the implementation of strategic agility

- explain organisational resilience and why this is important

- apply frameworks to make recommendations and improve the implementation of organisational resilience.

SECTION HEADINGS

- Strategic agility and VUCA

- Organisational resilience

- Practical application: Case Study 6.1

STRATEGIC AGILITY AND VUCA

The topic of strategic agility builds on the earlier Units. The following foundations are helpful to remember as you work through this Unit:

- Sustainable management is a management approach that creates organisations that value change and people and that have the capability to implement strategies to generate profit, support social well-being and improve the environment (Lawler & Worley 2011, p. 6).

- An organisational goal of sustainable organisational effectiveness is when an organisation generates sustainable outcomes and acts responsibly towards all stakeholders and can sustain effectiveness over time (Lawler & Worley 2011, pp. 6–7).

- Realised strategy is a combination of planned and emergent strategies. Strategy might be considered as continual with the deliberate strategy being planned and intended, at the other end of a continuum with the

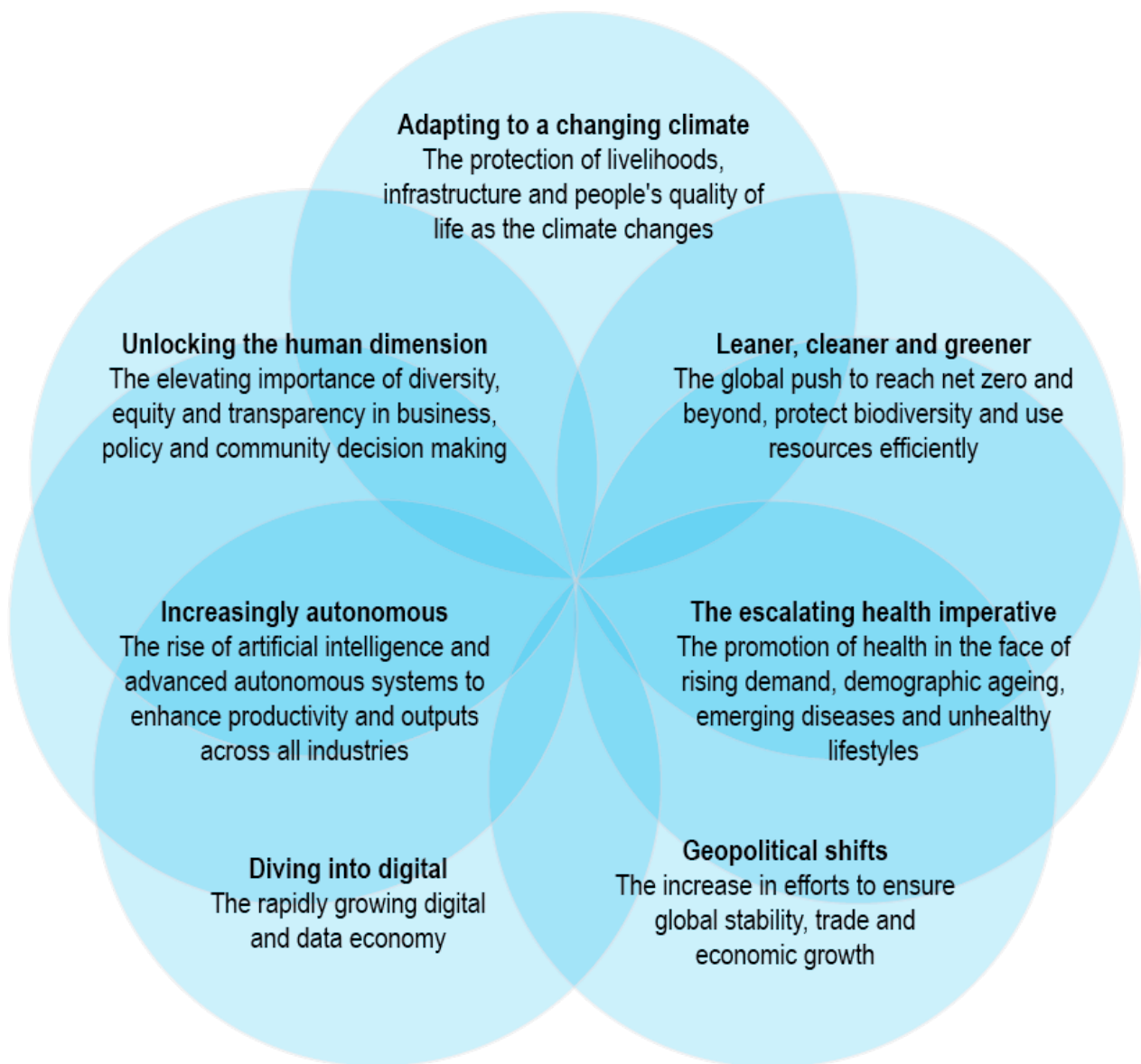emergent strategy that emerges without clear intentions (Mintzberg 1987, p. 68).

- Many organisations have a strategy cycle. Closed-loop planning can assist with effective strategy implementation. The Kaplan and Norton model (2008) is a useful framework for strategy implementation.

- A successful strategy is more than a plan. It is a dynamic set of choices that clearly defines how the organisation will achieve its objectives within a chosen market and industry.

- Strategic thinking includes three key sets of activities: assessing situations, recognising patterns and making decisions. It draws on cognitive psychology, systems thinking and game theory.

WHY IS THIS TOPIC IMPORTANT IN STRATEGY IMPLEMENTATION?

In this course, we consider theory and frameworks to address contemporary issues brought about by dynamic environments, including long-term trends, short-term disruption and managing the limitations imposed by constraints. Longer-term trends include technology, sustainability and globalisation. Short-term disruption can be in response to changes brought about by innovation, pandemics and legislation. Constraints can arise from the community licence to operate, workforce challenges and supply chain constraints.

We gain knowledge about trends, risks and constraints from many sources. For instance, in 2022, the Commonwealth Scientific and Industrial Research Organisation (CSIRO) revised their global megatrends (see Figure 6.2). Megatrends are trajectories of change that typically unfold over years or decades and have the potential for substantial and transformative impact.

Figure 6.2 *CSIRO global megatrends 2022 revision*

Adapting to a changing climate
The protection of livelihoods, infrastructure and people's quality of life as the climate changes

Unlocking the human dimension
The elevating importance of diversity, equity and transparency in business, policy and community decision making

Leaner, cleaner and greener
The global push to reach net zero and beyond, protect biodiversity and use resources efficiently

Increasingly autonomous
The rise of artificial intelligence and advanced autonomous systems to enhance productivity and outputs across all industries

The escalating health imperative
The promotion of health in the face of rising demand, demographic ageing, emerging diseases and unhealthy lifestyles

Diving into digital
The rapidly growing digital and data economy

Geopolitical shifts
The increase in efforts to ensure global stability, trade and economic growth

Source: adapted from Commonwealth Scientific and Industrial Research Organisation (2022, p. 3).

We can use risk reports to understand trends, disruptions and constraints that might impact strategy implementation. Each year, the World Economic Forum (WEF) publishes the Global Risk Report. Figure 6.3 shows 2023 global risks from their report ranked by severity over the short and long-term.

Figure 6.3 *Global risks ranked by severity over the short and long-term*

2 years		10 years
1. Cost of living crisis		1. Failure to mitigate climate change
2. Natural disasters and extreme weather events		2. Failure to climate-change adaptation
3. Geoeconomic confrontation		3. Natural disasters and extreme weather events
4. Failure to mitigate climate change		4. Biodiversity loss and ecosystem collapse
5. Erosion of social cohesion and societal polarization		5. Large-scale involuntary migration
6. Large-scale environmental damage incidents		6. Natural resource crises
7. Failure of climate change adaptation		7. Erosion of social cohesion and societal polarization
8. Widespread cybercrime and cyber insecurity		8. Widespread cybercrime and cyber insecurity
9. Natural resource crises		9. Geoeconomic confrontation
10. Large-scale involuntary migration		10. Large-scale environmental damage incidents

Risk categories █ Economic █ Environmental █ Geopolitical █ Societal █ Technological

Source: adapted from World Economic Forum (2023, p. 6).

Successful organisations in the long-term must be able to continue to monitor risks, respond to them and adapt accordingly. In their article, 'The top business transformations of the past decade', Anthony, Trotter and Schwartz (2019) claim that it's really interesting to see which of the S&P 500 and Forbes Global 2000 firms have 'reinvented' themselves. See Figure 6.4 for details.

Figure 6.4 *Strategic reinvention: the top business transformations of the past decade*

Company	New-growth-area revenue	CAGR / Benchmark	
1. Netflix (U.S.)	Original content: 44%	CAGR since 2012: / S&P 500:	**59%** / 10%
2. Adobe (U.S.)	Digital experiences: 27%	CAGR since 2009: / S&P 500:	**26%** / 10%
3. Amazon (U.S.)	Web services: 11%	CAGR since 2009: / S&P 500:	**39%** / 10%
4. Tencent (China)	Fintech, transportation: 25%	CAGR since 2011: / Hang Seng:	**32%** / 1%
5. Microsoft (U.S.)	Intelligent cloud: 29%	CAGR since 2010: / S&P 500:	**17%** / 9%
6. Alibaba (China)	Fintech, sports, entertainment: 14%	CAGR since 2013: / NYSE:	**8%** / 1%
7. Ørsted (Denmark)	Offshore wind: 37%	CAGR since 2017: / OMX Copenhagen 25:	**30%** / 0%
8. Intuit (U.S.)	Online ecosystem: 14%	CAGR since 2012: / S&P 500:	**22%** / 10%
9. Ping An (China)	Fintech, health tech: 6%	CAGR since 2012: / SSE Composite:	**17%** / 2%
10. DBS Group (Singapore)	Digital platforms: 48%	CAGR since 2013: / Singapore Exchange:	**12%** / -1%
11. A.O. Smith (U.S.)	Water tech: 100%	CAGR since 2009: / S&P 500:	**25%** / 10%
12. Neste (Finland)	Renewable fuels: 70%	CAGR since 2010: / OMX Helsinki 25:	**24%** / 7%
13. Siemens (Germany)	Digital Factory initiative: 26%	CAGR since 2012: / DAX:	**8%** / 8%
14. Schneider Electric (France)	IoT-enabled solutions: 22%	CAGR since 2012: / S&P Global 100:	**8%** / 6%
15. Cisco (U.S.)	Subscription applications: 43%	CAGR since 2010: / S&P 500:	**9%** / 9%
16 Ecolab (U.S.)	Water & energy services: 44%	CAGR since 2011: / S&P 500:	**16%** / 9%
17. Fujifilm (Japan)	Medical Imaging, health care: 18%	CAGR since 2010: / Tokyo Stock Exchange:	**7%** / 6%
18. AIA Group (China)	Wellness & prevention: 10%	CAGR since 2013: / MSCI Hong Kong:	**15%** / 2%
19. Dell (U.S.)	Infrastructure & security: 51%	CAGR since 2013: / S&P 500:	**29%** / 11%
20. Philips (Netherlands)	Health care: 65%	CAGR since 2014: / S&P 500:	**6%** / 6%

Source: adapted from Anthony, Trotter & Schwartz (2019, p. 25).

For an accessible version of this diagram, please download the Word document: **Figure 6.4 Strategic reinvention: the top business transformations of the past decade**

Activity 6.1 requires you to think about some of the key issues causing dynamics or imposing constraints that are relevant to your own organisation, situation or experience. Please complete this activity before we look at further key topics.

▮ Activity 6.1 Reflection on current trends, disruptions and constraints

Choose an organisation (or an industry, an eco-system, a business unit, a program, a project or a venture) that you are personally familiar with. Name the organisation and do a quick brainstorm to identify some of the most relevant and compelling items for you (Aim for 3-4 key themes in each. This forces you to prioritise rather than just list everything you can think of.)

1. Key long-term trends

2. Short-term disruptions

3. Constraints

Answers to Activity 6.1

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VUCA ENVIRONMENT

We know that in every industry since 1980, there have been technological changes, restructuring, regulatory changes and an increase in global competition. Markets and technologies have changed rapidly and unpredictably, and environments have become increasingly turbulent.

"Hypercompetition" occurs when competitive conditions are so turbulent and uncertain that the competitive advantages and profits cannot be sustained. This has become a reality in almost every industry (D'Aveni 1996, p. 291). For the majority of firms, life is a 'series of ups and downs'. How do you explain the differences between those organisations that survived and those that did not; those that had sustained performance versus those that only had temporal profitability?

'VUCA' is useful for describing and understanding a variety of these dynamic environmental conditions. By 'VUCA', we are referring to volatility, uncertainty,

complexity and ambiguity, in the environment, workplace or conditions. As shown in the VUCA matrix (see Figure 6.5), these can be represented graphically:

- horizontal axis: how much do we know about the situation?
- vertical axis: how well can you predict the results of your actions?

Figure 6.5 *VUCA matrix*

HOW WELL CAN YOU PREDICT THE RESULTS OF YOUR ACTIONS?

complexity

Characteristics: The situation has many interconnected parts and variables. Some information is available or can be predicted, but the volume or nature of it can be overwhelming to process.

Example: You are doing business in many countries, all with unique regulatory environments, tariffs, and cultural values.

Approach: Restructure, bring on or develop specialists, and build up resources adequate to address the complexity.

volatility

Characteristics: The challenge is unexpected or unstable and may be of unknown duration, but it's not necessarily hard to understand; knowledge about it is often available.

Example: Prices fluctuate after a natural disaster takes a supplier off-line.

Approach: Build in slack and devote resources to preparedness—for instance, stockpile inventory or overbuy talent. These steps are typically expensive; your investment should match the risk.

ambiguity

Characteristics: Causal relationships are completely unclear. No precedents exist; you face "unknown unknowns."

Example: You decide to move into immature or emerging markets or to launch products outside your core competencies.

Approach: Experiment. Understanding cause and effect requires generating hypotheses and testing them. Design your experiments so that lessons learned can be broadly applied.

uncertainty

Characteristics: Despite a lack of other information, the event's basic cause and effect are known. Change is possible but not a given.

Example: A competitor's pending product launch muddies the future of the business and the market.

Approach: Invest in information—collect, interpret, and share it. This works best in conjunction with structural changes, such as adding information analysis networks, that can reduce ongoing uncertainty.

HOW MUCH DO YOU KNOW ABOUT THE SITUATION?

Source: adapted from Bennett & Lemoine (2014, p. 313).

Executives are struggling with how best to lead in a VUCA world. Continual challenges blunt repeated bursts of optimism for the return to a path of prosperity. Layer on the challenge of digesting technological advancements that impact industry, as well as the consequences of demographic shifts in the workforce, there can be little doubt that leaders have their hands full. Some

claim that VUCA conditions render useless any efforts to understand the future and to plan. When leaders are left with little to do other than wring their hands, organisational performance quickly becomes at risk.

Bennett and Lemoine (2014) show how leaders can appreciate the differences among each of these challenging situations in order to properly allocate scarce resources to preserve and enhance organisational performance. Volatility, uncertainty, complexity and ambiguity all require their own separate and unique responses. Failure to use the right label will lead to a misallocation of what could be considered corporate resources.

For more information, look at Reading 6.1.

Reading 6.1

Bennett, N & Lemoine, G J 2014, **'What a difference a word makes: Understanding threats to performance in a VUCA world'**, *Business Horizons,* vol. 57, pp. 311–317.

You will also note these points from the reading:

- Boundaries around organisations are shifting forming global networks of complex stakeholder relationships. An executive does not have one strategic lever to pull to create and sustain organisational success.

- The components of VUCA are often present in some combination. For instance, a new product market might be both volatile and ambiguous, or expansion into new territory in the midst of sweeping governmental change might be both complex and uncertain. Although combinations of VUCA elements are complicated, we believe that the solutions we propose to the components of VUCA are worthwhile, both on their own and in combination.

- Left untangled, the mess implied by the phrase VUCA presents an unsolvable frustration. Developing the discipline to carefully diagnose and label a situation for what it is, however, offers a salve. Leaders need to work to develop this discipline. Organisational performance cannot be preserved, let alone enhanced, if its finite resources are misappropriated to address a phantom threat.

Please reflect on the article by Bennett and Lemoine (Reading 6.1) as you

complete Activity 6.2, and answer in the space below.

WHAT IS STRATEGIC AGILITY AND WHY IS IT USEFUL?

Worley, Williams & Lawler III were interested in understanding what maintained high organisational performance over time. Their research identified "a strong relationship between an organization's profitability patterns and its approach to management—specifically, the ways it anticipated and responded to events in the outside world, solved problems, and implemented change" (Worley, Williams & Lawler III 2014, p. xvii). The authors found that organisations with three or four agility routines working together as a system could *sustain an above-average level of performance*. This was because the organisations could continuously adapt and promptly exploit opportunities and address threats. The key was agility. "Agility is the dynamic capability that allows outperforming firms to sense and respond to their environments and to rapidly reallocate resources, build new capabilities, and, perhaps most important, jettison the assets and activities that no longer create value" (2014, p. 18). Agility provides sustained higher performance because it allows the organisation to continue to adapt.

Worley et al (2014) identify four organisational 'routines' (see Table 2.1) that

create the capacity to make timely, effective and sustained change responses to a dynamic environment. For strategic agility, the four routines need to be orchestrated for consistently high performance; executing the routines in concert.

Table 2.1 *The routines of agility*

Routine	Need to do:	Description
Strategising	*Strategise* in dynamic ways.	How top management teams establish an aspirational *purpose*, develop a widely shared *strategy*, and manage the climate and commitment to *execution.*
Perceiving	Accurately *perceive* changes in the external environment.	The process of broadly, deeply and continuously monitoring the environment to *sense* changes and rapidly *communicate* these perceptions to decision makers, who *interpret* and formulate appropriate responses.
Testing	*Test* possible responses.	How the organisation *sets up, runs, and learns* from experiments.
Implementing	*Implement* changes in products, technology, operations, structures, systems, and capabilities as a whole.	How the organisation maintains its *ability and capacity to implement changes*, both incremental and discontinuous, as well as its ability *to verify the contribution of execution* to performance.

Source: adapted from Worley et al (2014, p. 27).

They recognise that organisational agility might be used to support a broader sense of sustainability and a renaissance in the field of organisation development. However, they also recognise a limitation. While agile organisations may enjoy sustained financial performance, there's nothing stopping them from pursuing other ends for good or ill.

IMPLEMENTATION: BUILDING ORGANISATIONAL STRATEGIC AGILITY AND WHY IS IT USEFUL?

The concepts of organisational agility can be applied to a range of organisations, including corporate, not-for-profit, government and startups (Worley et al 2014, p. xviii). Please review Reading 6.2 for details.

■ Reading 6.2

Worley, C G, Williams, T D & Lawler III, E E 2014, **Ch. 2: 'Organizing for Agility'** in *The agility factor: Building adaptable organizations for superior performance*, John Wiley & Sons, pp. 25–52.

As defined by the authors, agile organisations can make timely, effective and sustained changes and are always subject to and ready for reforms. The management literature often refers to 'dynamic capability' – when an organisation has the potential to sense opportunities and threats, solve problems and change the organisation's resources and processes. They note that the change is also strategically relevant for competitive advantage.

Please watch Video 6.1 in which Professor Chris Worley discusses organisational agility, and how organisation development can contribute to building strategic agility. The video has three parts, and you are required to complete an activity after watching each part of the video.

■ Video 6.1a

Quality & Equality 2020, **'Moving from definition to action in OD: A conversation with Chris Worley'**, 17 December [0:00– 14:55].

■ Activity 6.3a Organisational agility from Worley

Does your organisation have organisational agility? Provide evidence to support your points.

Answers to Activity 6.3a

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Worley discusses being agile by design – building an organisation that has adaptability built in, so it can adapt continuously in a VUCA world. He discusses the agility pyramid and routines, including examples of DaVita health firm and Shell Oil.

■ Video 6.1b

Quality & Equality 2020, **'Moving from definition to action in OD: A conversation with Chris Worley'**, 17 December [14:55–31:28].
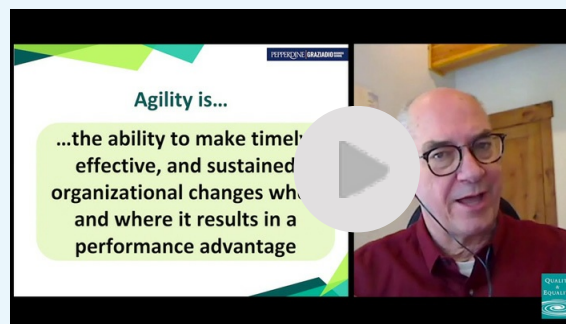
■ Activity 6.3b Organisational agility from Worley

1. What techniques have you picked up from the video?

2. Which examples of DaVita health and the Shell Oil company you would like to apply and why?

Answers to Activity 6.3b

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Worley discusses how the four agility routines (strategising, perceiving, testing, implementing) are linked to design elements. He discusses innovation (including the example of Netflix) and **lessons learned** about designing and implementing agile organisations – how to make organisations more agile.

Video 6.1c

Quality & Equality 2020, **'Moving from definition to action in OD: A conversation with Chris Worley'**, 17 December [31:28–48:09].
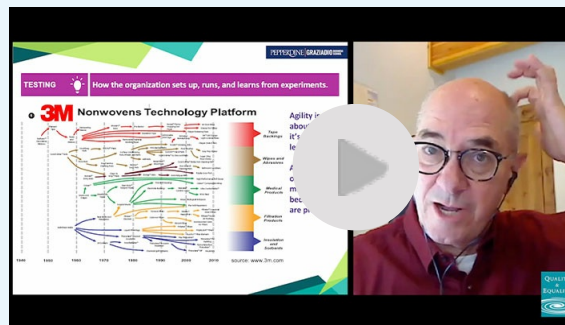
Activity 6.3c Organisational agility from Worley

What lessons have you learned that would make your organisation more agile?

Answers to Activity 6.3c

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More recently, Worley has considered the application of agile and sustainable organisations in a VUCA world following the Covid-19 pandemic. Optional Reading 6.3 provides more details.

Reading 6.3 (Optional)

Worley, C G & Jules, C 2020, **'COVID-19's uncomfortable revelations about agile and sustainable organizations in a VUCA world'**, *The Journal of Applied Behavioral Science*, vol. 56, no. 3, pp. 279–283.

STRATEGY-MAKING IN TURBULENT TIMES

Reading 6.4 explains how, in crafting strategy, organisations often struggle to cope with volatility. Michael Mankins and Mark Gottfredson are partners with the Bain & Company consulting firm. They discuss the reality that in fact very few organisations actually use "the strategic tool kit… for strategy development under uncertainty". In practice, organisations do not tend to use tools like scenario planning, Monte Carlo simulations and other real options. Rather the organisations stick with conventional techniques for strategy making. The authors claim that "winning in uncertain times requires a new model for strategy development" (2022, p. 69). The authors propose a new approach and mindset, which you can further explore in Reading 6.4.

Reading 6.4

Mankins, M & Gottfredson, M 2022, **'Strategy-making in turbulent times:**

A dynamic new model', *Harvard Business Review*, vol. 100, no. 5, pp. 60–69.

REASONS WHY STRATEGIES DO NOT ALWAYS MEET OBJECTIVES

Studies have found that two-thirds to three-quarters of large organisations struggle to implement their strategies (Sull, Homkes & Sull 2015). We might ask: why do most large organisations fail to execute their strategies to get the intended results? Sull et al (2015) tell us that having a strategy also needs coordination that helps build and facilitate agility. The failure to coordinate also leads to conflicts between functions and units. Managers also say they are three times more likely to miss performance commitments because of insufficient support from other units than because of their own team's failure to deliver.

To execute their strategies, organisations must foster coordination across units and build the agility to adapt to changing market conditions. While organisations have effective processes for cascading goals downward in the organisation, their systems for managing horizontal performance commitments lack teeth. Also, top-down scrutiny often deteriorates into micromanagement, which stifles the experimentation required for agility and the peer-to-peer interactions that drive coordination.

The article also provides a word of warning: managers should not invoke agility as an excuse to chase every opportunity that crosses their path. Many companies in the research sample lacked strategic discipline when deciding which new opportunities to pursue. The starting point needs to be a fundamental redefinition of execution as the ability to seize opportunities aligned with strategy while coordinating with other parts of the organisation on an ongoing basis.

Optional Reading 6.5 by Sull, Homkes and Sull about failure explains why strategy execution unravels and what to do about it. The article debunks five of the most pernicious myths and replaces them with a more accurate perspective that will help managers effectively execute strategy.

Reading 6.5 (Optional)
Sull, D, Homkes, R & Sull, C 2015, **'Why strategy execution unravels –**

and what to do about it', *Harvard Business Review*, vol. 93, no. 3, pp. 57–66.

We encourage you to reflect on what you have learned from this article about behaviours that hinder implementation or in other words, behaviours that might be dysfunctional and hinder change.

Please reflect on strategic agility to complete Activity 6.4 and answer in the space provided.

Activity 6.4 Strategic agility

1. "Strategic agility is a waste of productive time." Do you agree? Why or why not?

2. Imagine that a colleague has asked you to explain strategic agility. Your postings have a maximum of 200 words, and it's an ongoing dialogue, so you will need to choose the key points and return to the discussion to engage with the questions. The points you might cover could include: What is strategic agility? What are its key characteristics? Why go agile? What is the business case for strategic agility? What are the priorities or actions to focus on?

Alternatively, take an opposing point of view, and argue the challenges, weaknesses and constraints of strategic agility.

Answers to Activity 6.4

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ORGANISATIONAL RESILIENCE

WHAT IS ORGANISATIONAL RESILIENCE AND WHY IS IT A CRITICAL FACTOR?

Resilience has become more important. Even perennially successful organisations suffer performance slumps and fail. Hamel and Valikangas (2003) identified that many forces undermine today's business models, including technology breakthroughs, regulatory upheavals and geopolitical shocks. They suggest that organisations must develop strategic resilience for sustained performance. Suarez and Montes say the Covid-19 crisis and the economic havoc it wrought are harbingers of the extraordinary challenges that we will all face in coming years such as climate change, migration flows and technological advances. Such challenges "dramatically reshape the social and economic landscape in ways we can't fully anticipate" (Suarez & Montes 2020, p. 51). Hence, we need to develop organisational resilience.

Resilience is the response capacity encompassing the 'bouncing back' and adaptive qualities and capabilities that enable survival and success in turbulent environments. It is the ability to recover from setbacks, adapt well to change and keep going in the face of adversity. Resilience is primarily socially enabled and developed via interactions and relations. Hamel and Valikangas define strategic resilience as, "the ability to dynamically reinvent business-models and strategies as circumstances change to continuously anticipate and adjust to changes that threaten their core earning power – and to change to before the need becomes desperately obvious" (2003, p. 52).

Strategic agility enables a firm to initiate and apply flexible, nimble and dynamic competitive moves to respond positively to changes imposed by others and to initiate shifts in strategy to create new marketplace realities. Strategic agility and resilience capacity share common roots and are built, in part, from complementary capabilities and assets. Moreover, both assume that change and surprise can be sources of opportunity. However, they are distinct constructs that are designed to respond to different environmental conditions. Strategic agility is needed to address change that is continuous and relentless while resilience is needed to respond to change that is severely disruptive and surprising.

PRACTICAL OPTIONS FOR INCREASING ORGANISATIONAL RESILIENCE

Hamel and Valikangas (2020) propose that to build resilience, organisations need:

- a strategy that's forever changing in response to emerging opportunities and trends

- to constantly remake the future rather than defend the past

- to allow organisational change to come in fast and evolutionary steps (with no calamitous surprises, indiscriminate layoffs or colossal write-offs).

So, organisations need to address four challenges to develop organisational resilience:

- **Conquer denial**: become deeply conscious of what's changing and replace "that can't be true" with "we must face the world as it is".

- **Value variety**: this is insurance against the unexpected. Instead of making a single large bet, launch a swarm of smaller, lower-risk experiments from multiple ideas.

- **Liberate resources:** get cash to people who can bring new ideas to fruition. Give everyone who controls a budget the ability to provide seed funding for ideas aimed at transforming the core business.

- **Embrace paradox:** develop an organisation that responds to change continuously without destructive turmoil. Dedicate as much energy to the systematic exploration of new strategic options as you do to the relentless pursuit of efficiency. Reward people for strategic variety, wide-scale experiments and rapid resource deployment.

Suarez and Montes (2020) discuss how to build organisational resilience to help managers respond more effectively in highly changeable environments. They identify three broad approaches to getting work done:

- **Organisational routines**: in stable times, organisational routines (scripted work processes) are often taken for granted (for example, how to acquire a competitor or fill out a timesheet). However, these same routines can break down when an organisation faces high levels of uncertainty or needs to move quickly in a crisis.

- **Simple rules** (or heuristics): rules of thumb are very helpful for speeding up processes and decision-making and prioritising resource use (for instance, "we invest only in projects with a projected ROI of 12% or more").

- **Improvisation**: spontaneous, creative and ad hoc responses to a problem or opportunity. For example, if an automated factory line breaks down, improvisation occurs when the team figures out how to do manual

production.

To avoid having to scramble and make adjustments on the fly, it's best to spend time thinking systematically about the processes used and to experiment with alternatives – before the next crisis hits. Organisations that deal with fast-evolving situations know that it pays to practice and prepare for the unexpected.

The authors identified that routines break down in unstable environments. To cope and thrive in uncertain times, successful organisations are able to bring these three together as a tool kit.

> Fluency in all three modes can improve performance and enhance resilience under any circumstances. And if an organization faces extreme uncertainty, that fluency becomes essential. In fact, we believe that the ease with which teams refashion how specific tasks get done – whatever the relevel of turbulence – is the defining capability of a resilient organisation.
>
> (Suarez & Montes 2020, p. 48).

They identified that heuristics and improvisations are often triggered by different types of challenges. Heuristics were helpful when there was a need for speed. Improvisation was more common in complex and unfamiliar contexts that required out-of-the-box and ad hoc solutions, or in response to an opportunity or problem. They also learned the three tools are interdependent and dynamic.

Exhibit 6.1 shows an example of the use of routines, heuristics and improvisation in the response by hospitals in the US to Covid-19 (Suarez & Montes 2020, p. 50).

Exhibit 6.1 *How hospitals used routines, simple rules and improvisation to deal with Covid-19*

> During the spring of 2020, when patients suffering from Covid-19 threatened to overwhelm hospitals, healthcare professionals responded not just with courage but with ingenuity. Stories of their resourcefulness filled the news and social media.
>
> As we look at these reactions to a novel situation, however, we see something else; an example of how people utilized new routines, heuristics, and improvisation to work more quickly and effectively.
>
> **New routines.** Normal hospital practices were disrupted, but

some of them could be rescripted. Emergency rooms have processes for managing patients' arrival and treatment, for example, but patients were flooding in too rapidly as the pandemic spread. Hospitals replaced a multistep indoor admission process by screening patients' temperatures outside the ER building so that people with high fevers would be prioritized. Doctors and nurses who weren't treating Covid-19 patients swiftly settled into new routines in response to the need for social distancing: They conferred with patients over the phone or by computer rather than in person.

Heuristics. As the crisis intensified, routines needed more than minor adjustments. Doctors and nurses began to rely on heuristics to speed up activities and processes. If it was impossible to treat everyone needing care, they would make a quick triage decision: admit the patient (if a bed was available); send him or her to another hospital (if one wasn't); or send the patient home (if that person's symptoms were not life-threatening).

At a later stage, caregivers had to make painful choices about which patients would get time on limited ventilators. Hospitals developed heuristics for making those decisions; generally, they were based on which patients had the greatest likelihood of surviving (such as younger people).

Improvisation. Over time the resources gap grew larger. Health care workers didn't have enough N95 masks and protective gowns, nor did they have enough beds in their intensive care units. These problems prompted several improvisations. Some nurses and doctors began to reuse marks (aware of the increased risks to themselves). Hospitals repurposed entire floors to expand ICU areas or to treat the more-stable Covid-19 patients, often making the change in just a few days. New York City built a makeshift tent hospital in Central Park and transformed the Javits Convention Centre into a field hospital in anticipation of a surge in patients.

The most extreme situation involved the shortage of ventilators. Doctors and nurses, trained to do everything medically possible to save lives, had to adjust to a reality in which that simply

wasn't possible. They turned to risky improvisations, like sharing ventilators between two patients.

By the summer, healthcare workers had developed a better understanding of how to treat Covid-19. The pandemic still presented massive challenges (like the development of a vaccine), but the early-stage experimentation with protocols meant that hands-on care for patients had significantly improved.

Source: Suarez & Montes (2020, p. 50).

Building organisational resilience includes actively training the organisation to alter the combination of routines, heuristics and improvisation to match the changing requirements of possible scenarios. Suarez and Montes (2020) recommend a range of techniques to analyse routines and practice new ways to solve problems in a crisis. These help the organisation to become more adept at heuristics and improvisation, and thus more resilient and resourceful and better able to cope when uncertainty does reach alarming levels:

- Analyse which tools you use to get different chunks of work done.
- Question the assumptions behind your routines.
- Practice doing more with less.
- Deepen your knowledge of how your work fits into the whole.
- Invest in building expertise.
- Identify your priorities.
- Learn to give up control.

Please reflect on organisational resilience to complete Activity 6.5 and answer in the space provided below.

▮ Activity 6.5 Organisational resilience

1. In your experience, why is organisational resilience important and useful?
2. What can your organisation do to improve organisational resilience?

PRACTICAL APPLICATION: CASE STUDY 6.1

Your facilitator will provide further details about Case Study 6.1 for the practical application of the concepts and frameworks from Unit 6.

KEY TAKEAWAYS

- Organisations operate in environments that are becoming more dynamic with a range of trends, risks, disruptions and constraints.

  We can use the 'VUCA' framework (volatility, uncertainty, complexity and ambiguity) to define four types of dynamic situations, depending on:

  - horizontal axis: how much do we know about the situation?
  - vertical axis: how well can you predict the results of your actions?

  Each element of VUCA requires its own separate and unique response.

- Strategic agility: organisations with high levels of sustained performance have the capability to continuously adapt to their environments, see and exploit opportunities before others and address threats quickly.

  Worley, Williams and Lawler III (2014) identify four organisational "routines" that create the capacity to make timely, effective and sustained change results. For strategic agility, the four routines need to be orchestrated for consistently high performance, executing the routines in concert:

- Strategise in dynamic ways.

- Accurately perceive changes in the external environment.

- Test possible responses.

- Implement changes in products, technology, operations, structures, systems and capabilities as a whole.

- Organisational resilience is the ability to dynamically reinvent business-models and strategies as circumstances change to continuously anticipate and adjust to changes before they are needed.

To develop organisational resilience and improve the organisation's ability to cope, consider routines, heuristics and improvisation and how these interact (Suarez & Montes 2020).

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UNIT
7

ALIGNING TALENT WITH STRATEGY

Prescribed readings are placed in context within the Units of this eBook, but they are not linked in this eBook. **Links to all of the prescribed readings referred to in this eBook are available to you in your Moodle class site - please see the link to your Leganto Reading List.** Please go to that reading list as you begin engaging with these materials and download all the readings for your easy and ongoing access as you work through this eBook.

INTRODUCTION

INTRODUCTION TO THE UNIT

This Unit examines human capital: the importance of talent, alignment and workforce challenges and why it is important to consider them when implementing strategy. To put it bluntly, nothing will happen except through people. We must consider strategies for talent and human resources in order to implement strategy effectively. The Unit will also link to many contemporary workforce examples that will be very relatable and relevant for you. The reading by Kaplan and Norton will assist with designing recommendations to align human capital with strategy. Please devote some time to reading this paper and reflect on its applications.

COURSE LEARNING OUTCOMES (CLOS)

This Unit links to the following Course Learning Outcomes:

1. Describe and critically analyse strategy implementation for an organisation, through the application of various concepts, theories and frameworks.

2. Identify and analyse responsible management issues relevant to strategy implementation.

3. Analyse the complex issues for organisations implementing strategy in dynamic environments.

4. Apply various concepts and frameworks to make recommendations and improve strategy implementation.

5. Critically analyse some key contemporary issues and propose solutions for sustained organisational effectiveness.

UNIT OBJECTIVES

After completing this Unit, you should be able to:

- explain the links between talent and strategy implementation:
  - define 'talent' and explain why it is important for strategy implementation
  - apply frameworks to describe, critique and make recommendations on how talent contributes to:
    - shared value
    - effectiveness (using organisation design models for congruence, including open systems and sustainable management organisations)
- identify ways to improve how workgroups contribute to organisational strategic agility
- identify some common challenges and solutions for reorganisation in dynamic environments – including downsizing, reinvention and innovation
- apply frameworks to analyse contemporary examples in the workplace, including opportunities and challenges posed by trends, disruptions, innovation and constraints
- apply frameworks to design recommendations for aligning human capital

with strategy and for effective empowerment.

SECTION HEADINGS

- Talent and strategic agility

- Talent

- Reorganisation

- Reinventing your business

- Contemporary examples of talent

- Achieving strategic alignment: from top to bottom

- Practical application

TALENT AND STRATEGIC AGILITY

In Unit 6, we discussed organisational agility. How does talent fit in with this?

Recall that strategic agility has an adaptable organisational design and shared leadership roles to develop effective strategic outcomes. Strategic agility enables organisations to adapt quickly in response to internal and external pressures for change or shifts in strategic priorities. Adaptable organisation designs have structures, processes, people and rewards that capture value from a flexible **strategic** intent. Adaptable designs also support the idea that the **implementation and reimplementation** of a robust strategy is a continuous and normal process. So, an effective talent strategy must address these points.

Strategic agility consists of dual major capabilities:

- The first capability is emphasised by leadership: sensing the direction for a needed change and putting together the right resources for strategy execution.

- The second capability relates to the organisation and its design, including the necessary structural adaptation and mechanisms to implement the course of action.

- As environments become more complex and uncertain, a cornerstone of competitive advantage and performance is the organisation design and

how individuals and teams interact.

We now look briefly at some literature with proposals for how talent, teams and collaboration can contribute to building strategic agility. Lawler and Worley (2006) discuss how organisations can adopt structures that enable organisational member involvement – so that as many team members as possible are near to or have direct contact with regulators, suppliers, the local community, watchdog groups and, most importantly, customers (and potential customers). This flexible involvement allows critical information about trends, opportunities and issues to flow into decision-making.

Doz and Kosonen (2010) discuss three areas of leadership behaviour that are important for embedding strategic agility:

- **strategic sensitivity**: the sharpness, perception and intensity of awareness and attention to strategic developments
- **leadership unity**: the ability of the top team to make bold and fast decisions, without being bogged down in top-level 'win-lose' politics
- **resource fluidity**: the internal capability to reconfigure capabilities and redeploy resources rapidly.

Doz and Kosonen (2010) suggest that behaviours block strategic agility because most management groups function nearly exclusively in debating mode: arguments get exchanged, and (at best) the strongest wins. But too often the executive who controls the largest revenue base or profit flow simply carries the day. Their proposal is to engage in the practice of dialogue to help break this pattern. Instead of hiding genuine disagreements behind polished arguments and formal debate, CEOs must welcome open expressions of differences between their top executives. Doz and Kosonen recognise that transforming the business model of a successful organisation is never easy, as inertia from many sources defends the status quo.

Activity 7.1 Reflection on leadership practices

Reflect: Which of the leadership practices do you demonstrate/observe most in your workplace/situation for each of these three areas (strategic sensitivity, leadership unity and resource fluidity)?

Crocker, Cross and Gardener (2018) note that VUCA environments have created a business environment in which agile collaboration is more critical than ever. Yet there's a tension – while collaboration is key to agility, most work is done by combinations of colleagues from different functional areas or 'silos' that report in different ways through the formal ladder.

So, there's an important leadership role. By steadily nurturing agile collaboration, senior management can more effectively and more efficiently access the necessary depth of expertise of key collaborators within the organisation. Crocker et al (2018) propose ways to ensure these agile teams work together. They suggest lateral networks provide agility when they are nurtured along four dimensions:

- **Manage the centre of the network:** map interdependencies between teams to understand and plan for potential risks. Stay vigilant about overload by considering where it might hinder collaboration and redistribute work accordingly.

- **Engage fringe players**: create a 'hidden gems' program to unearth high potential that has been overlooked. Match capabilities to needs across the network, pair newcomers and network influences through staffing or mentioning. Create inclusive and trusting environments.

- **Bridge the silos**: connect people doing similar work by setting specific goals and rewarding collaboration. Use data and analytics to understand where silos exist and establish communities of practice to share expertise and resources.

- **Identify and enlist 'boundary spanners' to help tackle vexing problems**: consider who can propose plans that can be feasibly

implemented. Understand your organisation within the broader ecosystem and scan for market developments that pose threats or opportunities. Nurture relationships and promote the exchange of information by organising forums or special events that convene key players from across the ecosystem. Promote connectivity to key external stakeholders.

Activity 7.2 Reflection on agile teams in VUCA environments

Reflect: What would you like to implement or do differently after reflecting on the ways to ensure that agile teams work together?

Answers to Activity 7.2

Save to Notebook

How do we build an agile enterprise? Organisations often have lots of agile teams and talent. To scale up agility across an organisation without creating chaos, executives need to create a carefully balanced system that delivers by standardising operations and pursuing sometimes risky innovations. The optional reading by Rigby, Elk and Berez (2020) discusses leadership required from the top to balance both efficiency and innovation. Practical tips include the nurturing of talent through mentoring.

Reading 7.1 (Optional)

Rigby, D, Elk, S & Berez, S, 2020 **'The agile c-suite'**, *Harvard Business Review*, May-June, pp. 64–73.

Activity 7.3 Reflection on agile c-suite

Reflect: What is the role of teams in creating ongoing strategic agility? Why not just rely on building leadership roles?

Answers to Activity 7.3

Save to Notebook

TALENT

You might reflect on this quote as we progress through this Unit.

> In today's knowledge-based global economy, a significant crisis has emerged: the war for talent. The most significant HR challenge facing employers is the attraction and retention of skilled talent, more recently defined as 'talent management'.
>
> (Nankervis, Baird, Coffey & Shields 2017, p. 218).

The discipline of talent management builds on human resource management (HRM). It includes a long-term and integrated approach to managing employees by attracting them into the organisation and providing development and engagement opportunities utilising a sophisticated system of HR practices.

Why is talent or human resources so important and so critical for the effective implementation of strategy? Let's ground our exploration of this question by first looking at talent from the perspective of the topics covered in earlier Units. For instance, we recognised that an organisation is a group of people who work interdependently toward some purpose. Shared value recognises a broader set of stakeholders beyond just the shareholders or owners. This includes staff, contractors and volunteers. We also discussed other approaches, such as environmental, social and governance (ESG) and how some organisations align strategy with the United Nations Sustainable Development Goals (UN SDGs).

These also need to be considered in talent management.

Recall the organisational goal of sustainable organisational effectiveness. This happens when an organisation generates sustainable outcomes and acts responsibly toward all stakeholders and can sustain effectiveness over time (Lawler & Worley 2011, pp. 6–7). Talent management is a central component within all these frameworks.

A RESOURCE-BASED VIEW OF STRATEGY

A resource-based view of strategy would regard employees as 'human capital'. We can define 'human capital' as the relationships and networks that enable the creation and transfer of knowledge and organisational capital. A 'hard HRM' perspective would say: there's a need to manage the human capital properly for an organisation's effective return on investment. For strategic focus, organisation of HRM needs to account for activities, including all the human capital investments, and be subject to evaluation.

HUMAN RESOURCE MANAGEMENT

HRM has grown in strategic importance, as it is now recognised that human resources (or talent) play a key strategic role in implementing strategy. HRM includes the policies, practices and systems that influence employees' behaviour, attitudes and performance. HRM refers to "the management of employees for their own benefit and for their organisations" (Nankervis et al 2017, p. 3).

In Unit 6, we discussed trends, disruptions and constraints. Multiple influences, such as globalisation, technological developments, demographic shifts, changes in legislation and regulation and ongoing changes (e.g. health, political, economic and social) have required more innovative approaches to HRM.

Work by Ulrich and Brockbank (2006, p. 6) emphasises delivering value to the business. HR value-creation requires a deep understanding of external business realities and how key stakeholders both inside and outside the company define value. HRM must be perceived to add value to four key stakeholders in any organisation:

1. Employees who want competence and commitment.
2. Line managers who want to make strategy happen.
3. Key customers who want to buy more products/services.

4. Investors who want the stock price to go up.

The strategic approach to HRM represents a coordinated and integrated approach to HRM which ensures that HRM strategies and processes are aligned with broad organisational goals and strategies (Nankervis et al 2017, p. 6). According to Jackson, Schuler and Jiang (2014, pp. 2–3), strategic human resource management (SHRM) includes:

> HRM systems (and/or subsystems) and their inter-relationships with other elements comprising an organisational system, including the organisation's external and internal environments, the multiple players who enact HRM systems, and the multiple stakeholders who evaluate the organisation's effectiveness and determine its long-term survival.

Nankervis et al (2017, pp. 43–44) provide a model of the major themes of SHRM (see Figure 7.1). The process to respond to dynamic organisational strategy and external environments is long-term and cyclical. It feeds in the business acumen and knowledge of the HR specialist for the organisation's strategic business plans. It also responds to identified business requirements with specific HR plans and policies that guide the integrated HR practices and systems (including attraction, retention, learning, performance management, remuneration and WHS). The effectiveness or outcomes of the HR processes are reflected in designer strategic organisational outcomes (e.g. performance, productivity, effectiveness, cost-effectiveness and profitability) and the achievement of overall business strategies.

Figure 7.1 *A model of strategic human resource management (SHRM)*

Dynamic environment (global, regional, national and local)		Industrial relations systems and processes	Strategic organisational outcomes
Vision	HRM strategies and policies	Job design strategies and processes	Performance
Strategic business plan		Attraction and retention strategies and processes	Productivity
Key stakeholders		Learning, education and development strategies and processes	Flexibility
Dynamic environment (economic, political, social, legal and industrial relations)		Performance management strategies and processes	Effectiveness
		Remuneration strategies and processes	Cost-effectiveness
		Occupational health and safety strategies and processes	Profitability
		Negotiation and conflict resolution strategies and processes	Achievement of business outcomes
		HRM evaluation strategies and processes	

Source: adapted from Nankervis et al (2017, p. 44).

▮ Activity 7.4 Reflection on experience

We commonly hear statements such as "our people are our most important asset". Is this true? Why or why not? Put your initial thoughts into the space provided below. There is no 'right' answer to this question because it is based on your own situation and experience.

Answers to Activity 7.4

APPLYING OUR FRAMEWORKS TO TALENT

One of the most important themes to take from this Unit is to see talent and human resources as key items to integrate into your implementation. Too often, these are considered separately. We will now explore how to integrate them. Please complete Activity 7.5 to bring to mind some of the key concepts about talent that are relevant to your own organisation, situation or experience.

To complete this activity, it might be helpful to refresh your knowledge of the frameworks from earlier in the course, especially the discussion and models of congruence in Unit 3:

- shared value

- effectiveness: organisation design models for congruence, including open systems and sustainable management organisations (Lawler III & Worley 2011).

Activity 7.5 Application of earlier frameworks to consider the role of talent

Apply this to an organisation you are familiar with. Name the organisation or unit of analysis.

Choose one of the following frameworks from earlier Units in this course. Reflect on the questions below using that framework.

1. Applying the chosen framework, explain why talent is important for implementing strategy at your organisation or unit.

2. Describe how talent contributes to the goal (of shared value or effectiveness).

3. Analyse how talent contributes toward recognising strengths and weaknesses. Can you identify any specific gaps? Why do you think the gap exists?

4. Propose one change that would make an improvement. Recognise the challenges/risks in making that change and any mitigations that might assist.

Answers to Activity 7.5

REORGANISATION

In this course, we have been talking about improving the design of organisations to improve performance – in other words, we are looking at 'reorganisation', which some authors shorten to 'reorg'. Strategy implementation is often impacted by and has an impact on employees during reorganisation. Reorganisation can include reinvention, outsourcing and downsizing. Thus, talent and SHRM considerations are critical for an effective reorganisation.

Why reorganise? Heidari-Robinson and Heywood (2016) discuss how the motivation to reorganise is clear ("two-thirds of them deliver at least some performance improvement"), yet most organisations fail to deliver on their initial promise. They further state:

> According to a McKinsey survey we conducted, more than 80% fail to deliver the hoped-for value in the time planned, and 10% cause real damage to the company. More important, they can be damned miserable experiences for employees. Research suggests that reorgs – and the uncertainty they provoke about the future – can cause greater stress and anxiety than layoffs, leading in about 60% of cases to noticeably reduced productivity.
>
> (Heidari-Robinson & Heywood 2016).

Heidari-Robinson and Heywood (2016) say the pitfalls are predictable and common: employee resistance, insufficient resources and distraction from the day-to-day work. Their solution is to follow a rigorous disciplined five-step process – you owe it to your shareholders and employees to follow a rigorous process rather than winging it. You'll make better decisions and capture more value if you keep your people more involved and engaged.

1. Develop a profit and loss statement.

2. Create an inventory of your strengths and weaknesses.

3. Consider multiple options for the new organisation.

4. Focus special attention on execution. Communications are important. To be considerate of employees and get their engagement, the process needs to be fair and transparent. Plan communications across all steps of the reorg, focus communication on topics that matter to the people and make sure the communication is two-way and in-person.

5. Assume you'll need to make course corrections.

REINVENTING YOUR BUSINESS

In 'Reinvent your business before it's too late', Nunes and Breene of Accenture (2011) discuss the need for organisations to jump from mature stages to develop a new growth stage. How high-performance organisations rethink their strategies and reinvent their operating models before the change is needed. They call this 'jumping the S curve'. High performers are well on the way to new-business success by the time their existing businesses start to stall.

This has three implications for talent. Those high-performing organisations focus on the edge of the organisation. They change the make-up of the top team earlier and more radically and maintain surplus talent. When other organisations are cutting staff to cut costs, they go in the opposite direction. They cultivate serious talent with the capacity to grow new businesses.

OUTSOURCING

Outsourcing means purchasing ongoing services that which organisations currently provide or normally provide for themselves, from an outside company. In strategy, it typically depicts the decision to allow one or more of a company's value-chain activities or functions to be performed by independent specialist companies that focus all their skills and knowledge on one kind of activity.

Jane Linder of Accenture says that most organisations view outsourcing as a strategy for cutting costs, accessing new skills and capabilities and achieving greater financial flexibility. Linder (2004) suggests that a strategy of **transformational outsourcing** is different. It seeks a rapid, sustainable and step-change improvement in enterprise-level performance. The organisation

implements an outsourcing strategy to drive radical change and enterprise transformation. An example from a New Zealand pulp mill owned by Carter Hold Harvey Ltd will give you an idea of how this works. The pulp mill outsourced the entire maintenance staff, reduced workforce and industrial relationship issues and switched to salaried status. This resulted in improved productivity, cost structure and flexibility.

Linders said transformational outsourcing requires consideration of all stakeholders and a redesign of the entire business-model through planning and scenario analysis. Organisations consider transformative outsourcing for one of these four reasons:

1. rapid scaling (organisations that need to launch and scale rapidly e.g. Nike).

2. removing constraints to breakthrough growth.

3. catalysing change – outsourcing used to catalyse broad organisational change (e.g. by outsourcing non-core activities, CEO John Brown's shake-up of BP in the early 1990s signalled what was important.)

4. radical renewal – organisations that need a radical renovation of critical processes and functions.

DOWNSIZING

Downsizing occurs when organisations reduce the size of their workforce. It's clear to see how digital technologies, fierce competition and the need to cut costs are forcing many organisations to frequent rounds of downsizing. Downsizing an organisation, with the associated layoffs, can be disruptive and painful, moreso when the layoffs are repeated and episodic. Sucher and Gupta (2018) say that all too often, downsizing is ineffective, damages employee engagement and actually reduces profitability because it is done for short-term gain.

Sucher and Gupta propose a "better way" when organisations develop workforce change strategies that make sparing use of staff reductions and ensure that when they do happen, the process feels fair, and the company and the affected parties are set up for success. They propose that an effective workforce change strategy has three main components:

1. The workforce change philosophy serves as a compass for senior leaders, builds on the organisation's values and spells out the commitments and priorities that the organisation will abide by as it

implements change. For instance: what value do we believe employees contribute to our organisation and its success?

2. A clear methodology allows organisations to explore alternatives and, if layoffs cannot be avoided, minimises the harm caused. For instance: how will we plan for workforce change on an ongoing basis?

3. Options should be developed for a variety of economic conditions, including a healthy present, short-term economic volatility and an uncertain future. For instance, experienced managers have a range of ways to reduce costs in volatile circumstances rather than having to downsize.

Drawing on the examples of Michelin and Nokia, the authors show how employees can and should be trusted to perform well, even when they might lose their jobs. Planning thoughtful workforce change is a better way than automatically downsizing.

Zatzick, Marks and Iverson (2009) say that managers are overwhelmed with advice on how to downsize in a crisis. Past research shows that an organisation's consideration for employee well-being is linked to its performance after downsizing. Studies have identified the importance of best practices such as:

- cut costs without reducing the workforce

- reduce the workforce without forced layoffs

- communicate with employees clearly and candidly

- give employees a voice

- be fair and compassionate.

But Zatzick et al challenge this. They say there's no 'one best way' to do downsizing. Downsizing initiatives must align with the talent management strategy. Organisations much challenge themselves with two questions. From these two dimensions, a two-by-two matrix is drawn with four quadrants (see Figure 7.2). Each quadrant represents a different strategy.

- Type of downsizing: is the downsizing reactive or proactive?

- Approach to talent management: is the organisation control-oriented or commitment oriented?

Figure 7.2 *Four major types of downsizing*

DOWNSIZING APPROACH

	Reactive (short term)	Proactive (long term)

TALENT MANAGEMENT APPROACH

Commitment Oriented

Quadrant I

HR philosophy
Employees are viewed as assets that require investments. Because downsizing is inconsistent with that HR philosophy, organizations must use best practices to retain survivors.

Downsizing
Objective is short-term survival through cost cutting without damaging employee commitment and morale. When possible, layoffs target underperforming units.

Downsizing practices
- Cost-reduction strategies (shared equally)
- Communication about extent and timing of downsizing
- Fairness and transparency in process, and management training on how to conduct layoffs
- Layoff criteria: cost, performance and fit
- Outplacement services/job fairs
- Some participation of employees in layoff decisions
- Hiring freeze, natural attrition and transfers
- Voluntary layoffs and early retirement
- Involuntary layoffs as a last resort

Talent management
- Management focus on reducing shock of downsizing and increasing retention of talent
- Development opportunities for employees
- Internal promotions
- Job rotation and job enrichment (multiskilling)
- Retention incentives

Quadrant II

HR philosophy
Employees are viewed as assets that require investments. Because downsizing is inconsistent with that HR philosophy, organizations must use best practices and HR investments to keep survivors engaged and motivated.

Downsizing
Objective is to increase effectiveness for long-term competitive advantage. Layoffs target business units that are being restructured as well as employees with outdated skills.

Downsizing practices
- Communication about extent, timing and purpose of downsizing (how it fits with strategic vision)
- Fairness and transparency in process, and management training on how to conduct layoffs
- Layoff criteria: position, performance and fit
- Outplacement services/job fairs
- Some participation of employees in layoff decisions
- Transfers, redeployment and early retirement
- Voluntary layoffs with incentives

Talent management
- Management focus on motivating and retaining survivors
- Recruiting and selection practices that are consistent with restructuring
- Training and development opportunities
- Internal promotions
- Team-based work and group-level rewards

Control Oriented

Quadrant III

HR philosophy
Employees are viewed as a cost to be minimized. Because downsizing is consistent with HR philosophy, employees are not surprised by decision to downsize.

Downsizing
Objective is short-term survival through across-the board cuts that affect all employees.

Downsizing practices
- Cost-reduction strategies
- Communication about extent and timing of downsizing
- Legal minimum notice and severance pay
- Increased use of temporary employees
- Layoff criteria: cost and performance
- Involuntary layoffs as primary downsizing mechanism

Quadrant IV

HR philosophy
Employees are viewed as a cost to be minimized. Although employees are not viewed as key assets, a long-term approach to increasing efficiencies requires employee buy-in.

Downsizing
Objective is to increase efficiencies for long-term competitive advantage. Layoffs target low-performing units.

Downsizing practices
- Communication about extent and timing of downsizing
- Legal minimum notice and severance pay
- Layoff criteria: cost, position and performance
- Transfers and early retirement
- Involuntary layoffs as primary downsizing mechanism

Talent management
- Minimal HR investments (because employee engagement is not important)
- Management focus on compliance and monitoring
- Job enlargement (multistasking)

Talent management
- Minimal HR investments (because employee engagement is not important)
- Management focus on compliance and monitoring
- Job enlargement (multitasking)
- Individual incentives (performance-related pay)

Source: adapted from Zatzick, Marks & Iverson (2009, p. 81).

For an accessible version of this diagram, please download the Word document:
Figure 7.2 Four major types of downsizing

In this section, we have covered a range of talent considerations for reorganisation. Please briefly reflect on those by completing the activity below.

▮ Activity 7.6 Reflection about reorganisation

1. Of the various tips given in the topic above about reorganisation, which are the key items you want to remember or apply? In what ways are those reorganisation approaches relevant to your own practice in strategy implementation?

Answers to Activity 7.6

[Save to Notebook]

CONTEMPORARY EXAMPLES OF TALENT

The effective management of talent is integral to strategy implementation and this section reflects briefly on a range of talent management topics that leaders report as being top of mind.

SKILLS SHORTAGES - DIGITAL TECHNOLOGIES ARE CHANGING THE MARKET FOR TALENT

In this era of chronic skills shortages worldwide, many managers say the biggest issue is to get and retain a highly skilled workforce. Because of rapid automation, digital transformation and demographic change, it has become harder than ever for organisations to find people with the right skills at the right time. In many industries, the growing talent problem has the potential to become a strategic bottleneck for organisations. Does the quote below resonate with you?

> How can they find people with the right skills to do the right work at just the right time? The half-life of skills is shrinking fast, and many jobs now come and go in a matter of years. Not only that, but major demographic changes are underway: Boomers are aging out of the workforce, and Millennials and Gen Z are taking over, bringing with them very different priories about who should do what work – and where, when and how it should get done.
>
> (Fuller, Raman, Bailey & Vaduganathan 2020, p. 98).

There is a new workforce. The on-demand workforce (also known as freelancers or gig workers) has changed too. The number of freelancers who say they consider gig work as a long-term career choice is now the same as those who consider freelancing as simply a temporary way to make money (Fuller et al 2020, p. 99). The authors argue that we need to rethink the on-demand workforce. Digital talent platforms have matured. Many organisations use them to hire skilled gig workers.

The article discusses the need to be strategic about digital talent platforms. A new generation of talent platforms, such as Catalant, Kaggle and Upwork, has emerged. In contrast to Uber, Amazon and TaskRabbit, the new platforms offer on-demand access to highly skilled workers. Today, almost all Fortune 500 companies use one or more of these platforms for highly skilled workers. However, this is mainly on an ad hoc basis, and so the process is costly, inefficient and not strategic. They propose that organisations need to take a different path forward that views digital talent platforms in more strategic ways to embrace the full potential of digital talent platforms and the on-demand workforce and create new business-models and unlock new sources of value.

As AGSM students, you may find it interesting to know what the AGSM faculty is exploring in this space. Please listen to the podcast from AGSM on how organisations need to constantly upgrade their skills all the time. The speakers are Professor Nick Wailes, Senior Deputy Dean (External Engagement) UNSW Business School and Director AGSM @ UNSW Business School, Professor Barney

Tan, Head, School of Information Systems and Technology Management, UNSW Business School and Lee Hickin, Chief Technology Officer at Microsoft ANZ.

Listen to 4 minutes section of the podcast starting at 11:55 minutes and ending at 16:45 minutes.

REDESIGNING HOW WE WORK

Lynda Gratton (2023) has written that we now know the post-pandemic transition will take years and we are entering a new phase of redesigning how we work. The workplace itself has changed. Most organisations are in a transitional phase for hybrid work, and we have not yet settled into new structures, practices and processes. Strategy implementation is impacted by changing the workplace. This is more complex than simply making decisions about who comes back to the office full-time.

> Leaders should acknowledge that—and start making plans for how to cope… It's also forcing us to test long-held assumptions about how work should be done and what it even is… The changes to workplace practices and norms that we're contemplating could be more significant than anything that's happened in generations.
>
> (Gratton 2023, p. 17).

THE CHANGING WORKPLACE

This decade has seen the growth of work from anywhere (WFA) and work from home (WFH). The shift caused by the Covid-19 lockdowns proved that not only was it possible, but also that it might be preferable for knowledge workers to do their jobs from anywhere. In his article, Professor Raj Choudhury of Harvard Business School outlines remote working has the following benefits for the employees:

- quality of life
- cost of living

- female participation in the workforce.

For firms, it provides enhanced flexibility, productivity and engagement and many environmental benefits. It will also address the issue of brain drain. However, there are major challenges to communication, knowledge sharing, socialisation, performance evaluation and security. Choudhury (2020) says that with the right strategy, organisational processes, technologies and leadership, many more organisations, teams and functions could go all or mostly or fully remote. Choudhury proposes that all-remote organisations adopt best practices so the risks associated with this work can be overcome. The key is leadership:

> The question is not whether work from anywhere is possible but what is needed to make it possible. The short answer: management. "If all senior leaders are working from an office, then workers would be drawn to that location to get face time", one all-remote middle manager told me. But if leadership supports synchronous and asynchronous communication, brainstorming and problem-solving; leads initiatives to codify knowledge online; encourages virtual socialization, team building and mentoring; invests in and enforces data security; works with government stakeholders to ensure regulatory compliance; and sets an example by becoming WFA employees themselves, all-remote organizations may indeed emerge as the future of work.
>
> (Choudhury 2020, p. 67).

With examples from across the world, Video 7.1 is an overview of how the pandemic and hybrid working have changed the very idea of the office – changing the purpose of the office, the look of cities, the prevalence of flexible work and the management of hybrid employees. The video questions whether the changing office might worsen gender inequality and reshape cities.

Video 7.1

The Economist 2022, **'How are offices changing?'**, 29 July [10:01].

The pandemic has radically changed how employees experience organisational culture. Leaders often express concerns that remote and hybrid workplaces

undermine culture. You will see in Reading 7.2 (optional) that Gartner's 2022 global study of more than 4,500 knowledge workers and 200 Human Resource leaders found that:

- just 25% of remote or hybrid knowledge workers feel connected to their organisation's culture.
- mandates to be in-office drove connectedness sharply down. 53% of employees with radical flexibility (considerable freedom over location, schedule, work volume, team and projects) reported a high degree of connectedness, compared to just 18% of those with low flexibility.

(Harvard Business Review 2022, p. 18).

The authors pointed out that organisational culture-building before the pandemic tended to focus on one component of culture – alignment. Alignment is about employees knowing what the culture is and believing it is right for the organisation. Since the pandemic, employees spend 65% less time in the offices, and so the limitations of a focus on alignment lead to even greater problems. The research concluded that a focus on alignment is not sufficient. The research points to another component of culture – connectedness. The Gartner research showed that having a more connected workforce improves performance and reduces turnover. Connected workers perform at a higher level, by as much as 37%, and are 36% more likely to stay with the organisation (Harvard Business Review 2022, p. 18).

So, addressing the challenge is not just simply about forcing employees back to the office – you might know about the backlash to the edicts of CEOs such as Elon Musk and Jamie Dimon, or you may have your own experience of this. The principal author of the Gartner study, Alexia Cambon of Gartner says:

> I find it ironic when leaders say they need to bring workers back to the office because of culture. They're going to get the opposite of what they hope for. Instead of viewing hybrid work as a disruption to the cultural experience, leaders should see it as an opportunity to build culture differently....
>
> Some CEOs may think that workers will grumble a bit but eventually habituate to a full-time return. Without a sense of connectedness though they have nothing to stop them from going to a less rigid company...
>
> Leaders hoped that the way offices were designed and decorated and the frequent interactions among workers would foster an emotional connection with the organization.

(Harvard Business Review 2022, pp. 17–18).

The whitepaper 'Culture in a hybrid world' from Gartner research, says that

organisations must embrace the new reality, and proposes three strategies for helping employees feel connected:

1. **Shift from diffusing culture through the office to diffusing it through the work itself** – audit your workplaces for compatibility with the desired culture. There's a valuable opportunity to instill culture through daily tasks when people working remotely have more time for deep work.

2. **Connect through emotional proximity, not physical proximity** – the emphasis is on 'being of importance to others – feeling seen', rather than being in the same physical space. Remove toxic workers, ensure employees feel their contributions are valuable, heap praise on people, redesign induction processes for new employees, and help remote employees see how their work connects to the organisation's mission.

3. **Shift from optimising corporate culture to fostering microcultures** – emphasise core values, but then devolve more control to the team, and ensure there are team-level experiences.

Reading 7.2 (optional) is about the hybrid workplace. Drawing on a whitepaper from Gartner research, it proposes three tips for helping employees feel connected.

🟨 Reading 7.2 (Optional)

Harvard Business Review 2022, **'IdeaWatch: Revitalizing culture in the world of hybrid work'**, *Harvard Business Review*, November-December, pp. 17–21.

WORK/LIFE SUPPORT TO IMPROVE RESILIENCE, PRODUCTIVITY, DIVERSITY AND RETENTION

Kalev and Dobbins (2022) discuss work/life support such as universal policies for family leave time, flexible scheduling and help with childcare. The workers claim that there is a need for work/life support. To succeed, almost every worker needs work/life support at some stage. The data suggests women and people of colour need it most, but often don't receive it, or even learn about company benefits. The authors claim that this problem only exists because for many companies the ideal worker remains someone unencumbered by family obligations. They need a worker who can support the "demanding daily

schedules and career trajectories that had been standard for white men in the 1950s and have intensified since" (Kalev & Dobbins 2022, p. 100). Their solution is that companies should spell out and uniformly offer policies in three areas: flexibility, time off and childcare. The studies show that this helps both workers and managers by lowering stress, improving productivity, boosting retention and increasing diversity.

RECOGNITION AND SUPPORT FOR MENTAL HEALTH AND WELLBEING

Some readings draw on the emotional and mental health of the workforce. We consider the implications for talent management for the implementation of strategy. Views are changing about the organisation's role in supporting the wellness and mental and emotional health of employees.

David Kessler, a grief expert, says in 'Helping your team heal' that leaders must learn to recognise people's grief and assist them in finding meaning. People have different reactions to coping with shocks and disruptions such as the Covid-19 crisis. Employees will need different kinds of support as organisations navigate a slow return to ordinary life and work routines. It's important not to robotically treat all the same. Leaders need to recognise their own feelings, put a name on it as 'grief' and understand that the different groups have different needs. There are people who struggle to cope, there are those who do what they can with the guidance received and then there are those who want others to calm down and continue with business as usual. 'Meaning' can come in many forms such as remembering joy, rituals of remembrance, gratitude or turning loss into something positive. Kessler provides examples of gratitude such as: "I've found myself in awe of, and thanking, workers in essential services who persevere through this crisis, many of them risking their health for low wages". He hopes that work becomes a place where people find meaning and "where co-workers support one another and where managers take care of their workers and allow them to grieve" (Kessler 2020, p. 55).

In 'Growth after trauma', Professor Richard G Tedeschi says that in times of stress, crisis or trauma, such as loss of life, unemployment and global downturn, people often ask the question, "What good can come out of this?". At some point later on, we will be able to reflect on the long-term consequences such as a recognition of personal strength, improved relationships and a greater appreciation for life. We might be able to recognise some good outcomes alongside the bad. He proposes five steps for coming out of a crisis stronger through posttraumatic growth, education about trauma, emotional regulation

and shifting thinking, disclosure to talk about what happened, production of an authentic narrative about the trauma and our lives afterward, and service to others. There are many benefits for the person and their team colleagues, including personal strength and resilience, new possibilities such as redesigning work, improved relationships such as a stronger team, appreciation for life and spiritual growth. "Timing is crucial. Growth can't be forced, and it can't be rushed", and "it is worth the effort. Let's make sure that we derive something positive from this time of struggle. The possibilities for personal and collective growth should not be squandered" (Tedeschi 2020, p. 131).

CLIMATE CHANGE

Climate action is increasingly a workforce issue, especially for younger generations. For many organisations, climate change impacts strategic priorities and approaches to strategy implementation. Surveys show 75% of Gen Y and 90% of Gen Z agree that companies have a responsibility to engage with environmental and social issues (Winston 2020). Consultant Andrew Winston advises some of the world's leading organisations on how they can navigate and profit from environmental and social challenges. He says that stakeholders, particularly shareholders, customers and employees are increasingly high standards for the investments they make and the organisations they work for.
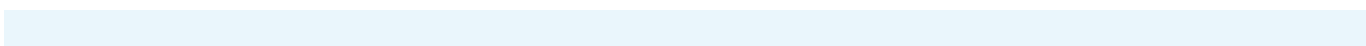
Winston (2020) recommends that organisations take three actions on climate change:

- Use political influence to demand aggressive climate policies.
- Empower employees, suppliers and customers to drive change.
- Rethink investments and business models to eliminate waste and carbon.

TALENT AND ETHICS

Most HRM activities have an ethical dimension. "Ethics and values are important in all aspects of management, but especially crucial in the design and implementation of HR strategies, plans and processes. Equity, fairness, professionalism and respect for employees ensure employee satisfaction and contribute to business success" (Nankervis et al 2017, p. 47).

Please complete Activity 7.7 about contemporary issues about the talent that are relevant to your own organisation, situation or experience.

ACHIEVING STRATEGIC ALIGNMENT: FROM TOP TO BOTTOM

In this section, we look at the design of approaches for aligning human capital with strategy. The main focus is on the reading by Kaplan and Norton (2006) for insights into how we can align human capital with strategy. We now will use the balanced scorecard, which is an integrative strategic management tool where employees, teams and business units set goals that are assessed across four quadrants: financial, customer, internal business processes and learning and innovation.

Kaplan and Norton say:

> MEASUREMENT MATTERS: "If you can't measure it, you can't manage it." An organization's measurement system strongly affects the behavior of people

both inside and outside the organization. If companies are to survive and prosper in information age competition, they must use measurement and management systems derived from their strategies and capabilities.

(Kaplan & Norton 2006).

Watch Video 7.2 and Video 7.3 to familiarise yourself with the balanced scorecard.

▮ Video 7.2

KnowledgeEquity – Support for CPA 2021, **'Roger Kaplan explains the balanced scorecard'**, 3 December [3:00].

▮ Video 7.3

Harvard Business Publishing 2014 **'The explainer: The balanced scorecard by Robert S. Kaplan, David P. Norton'**, 14 October [2:40].
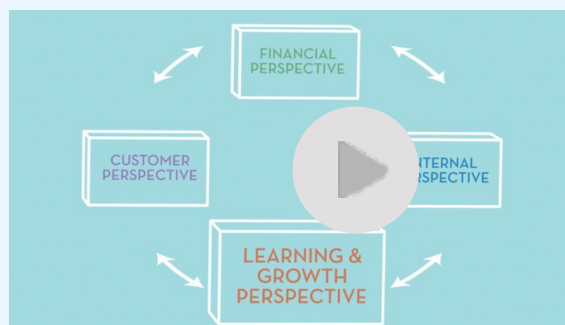
Implementing strategy begins by educating and involving the people who must execute it. By communicating the strategy and by linking it to personal goals, the balanced scorecard creates a shared understanding and commitment among all organisational participants. Reading 7.3 describes how organisations have used the balanced scorecard to communicate their new strategies to all employees, aligning departmental, team and individual goals to the successful implementation of the strategy.

Please watch Video 7.4 about the 'growth mindset' and its importance for talent. When organisations embrace a growth mindset, their employees report feeling far more empowered and committed. They also receive far greater organisational support for collaboration and innovation. What do you think?

Video 7.4

Harvard Business Review 2022, **'What having a "growth mindset" actually means'**, 10 February, [3:46].

LINKING TALENT AND CULTURE

Previously, we have discussed the notion of 'trust'. Jamil Zaki of Stanford University argues that too many organisations are caught in "the cynicism trap", marked by cynicism (a belief that others are selfish, greedy and dishonest). This is associated with "a slew of negative outcomes at work", including poor performance, turnover, and cheating. It also stifles innovation. The cynicism self-perpetuates, due to our natural pull towards negativity and the notion that cynics are smarter than non-cynics. Even our organisational policies and practices can reinforce a culture of mistrust – for instance by promoting a 'culture of genius' or by overmanaging.

> Leaders who don't trust their people are more likely to restrict pressure, and surveil them to ensure that they do the bare minimum and to prevent shirking and cheating – and employees read that mistrust loud and clear. They in turn

trust their organizations less, feel less motivated and – ironically – more likely to game the system.

The pandemic has made it harder to hover over people's desks, but companies now use a dystopian array of tools that enable them to, for instance, monitor workers' keystrokes and screens.

When employers force workers to do at least the bare minimum, they make it much more likely that workers will do only that – and morale is harmed in the process. In December 2021 EY released new data on employees who had left their jobs during the first part of the Great Resignation. Many of them said they didn't feel that the company leaders cared or trusted them.

(Zaki 2022, pp. 75–76).

Jamil recommends reducing cynicism in the organisation by developing policies and processes that redirect the organisational culture toward collaboration and by making sure that all the leaders, throughout the organisation, model trusting behaviours and combat cynicism in their interactions.

TALENT, INNOVATION AND CULTURE IN A DIGITAL WORLD

We know the importance of a laser-like focus on customer experience, and constant improvement and innovation, especially in an increasingly digital world. In 'Building a culture of experimentation', Professor Stefan Thomke says that good tools aren't enough. It is the organisational culture that is the obstacle (not the tools and technology) preventing organisations from conducting the thousands of tests they should be doing annually, so they create or improve online experiences.

Thomke (2020) proposes that the remedy is to "create an environment in which curiosity is nurtured, data trumps opinion, anyone can conduct a test, all experiments are done ethically, and managers embrace a new model of leadership" (p. 42).

In 'Cultural innovation', Douglas Holt argues that our approach to innovation is wrong. In most organisations, our approach to innovation is to focus on 'building better mousetraps'. We put all our chips on one innovation paradigm, seeking to create the 'killer value propositions', which win on functionality, convenience, reliability, price or user experience. This approach only has average results. Instead, Holt says we should take a cultural innovation approach. By this, he means first identifying a weakness in the existing category and then reinventing the category's ideology and symbolism. Holt proposes changing the customer's understanding of what is considered valuable. He gives the example of when Ford reinvented the family car – the Ford Explorer replaced the boring 'mom

mobile' minivan as America's favourite family car with a promise of excitement, adventure, and glamour – even though the SUV explorer wasn't technically a superior vehicle.

We encourage you to complete Activity 7.8 which is about achieving strategic alignment from top to bottom.

◼ Activity 7.8 Strategic alignment

Answer these questions for an organisation or unit you are familiar with.

1. Apply the Kaplan and Norton (2006) strategic alignment framework to your organisation or unit.

2. Using the Kaplan and Norton (2006) framework form an assessment of how well your talent is strategically aligned. Can you propose any improvements?

Answers to Activity 7.8

[Save to Notebook]

PRACTICAL APPLICATION

Your facilitator will provide further details about activities for the practical application of the concepts and frameworks we covered in Unit 7.

KEY TAKEAWAYS

- Talent and teams play an important role in developing strategic agility.
- The management of talent is critically important for strategy

implementation. Modern strategic human resources management (SHRM) is a coordinated and integrated approach to HRM that ensures that HRM strategies and processes are aligned with broad organisational goals and strategies.

- Talent is key for some common challenges and solutions for reorganisation, including downsizing, reinvention and innovation. Suitable talent strategies will be required and will need to be integrated.

- We have looked at a range of contemporary examples in the workplace, including opportunities and challenges posed by trends, disruptions, innovation and constraints including digital technologies:

  - Ethics and values are important in all aspects of management, but especially are crucial in the design and implementation of HR strategies.

- In the classic article 'Achieving strategic alignment: From top to bottom', Kaplan and Norton (2006) discuss the balanced scorecard, which is an integrative strategic management tool where employees, teams and business units set goals and they are assessed across four quadrants: financial, customer, internal business processes and learning and innovation. This is a substantive reading that will assist with designing recommendations to align human capital with strategy and for effective empowerment.

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UNIT
8
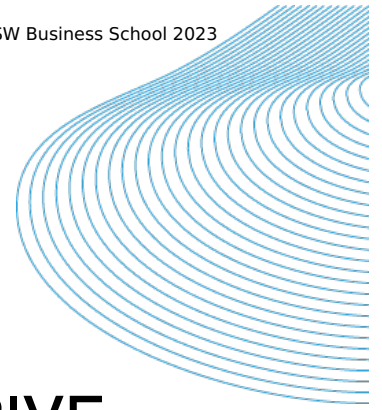
ADAPTABILITY: TECHNIQUES TO DRIVE POSITIVE STRATEGIC TRANSFORMATION

Prescribed readings are placed in context within the Units of this eBook, but they are not linked in this eBook. **Links to all of the prescribed readings referred to in this eBook are available to you in your Moodle class site - please see the link to your Leganto Reading List.** Please go to that reading list as you begin engaging with these materials and download all the readings for your easy and ongoing access as you work through this eBook.

INTRODUCTION

INTRODUCTION TO THE UNIT

In Part 3 of this course (Units 6–8), we have been looking at strategy implementation in dynamic environments. Unit 8 looks at strategic adaptability, including strategic dissonance, inflection points and positive strategy. We use positive strategy and strengths, opportunities, aspirations and results (SOAR) as a practical approach to adaptability.

THE RATIONALE FOR THIS WEEK'S TOPIC

There is a lot of interest in the 'strategic pivot'. In this Unit, our exploration of strategic adaptability includes strategic dissonance, inflection points and

practical application to managing transformation, risk and innovation. The framework of positive strategy gives an alternative for organisations aiming in new strategic directions. The topics of strategic dissonance, strategic inflection points and positive strategy have been well-received by students. We can consider the role of data and technology in adaptation examples such as cyber security, digital transformation, climate action and supply chains.

COURSE LEARNING OUTCOMES (CLOS)

This Unit links to the following Course Learning Outcomes:

1. Describe and critically analyse strategy implementation for an organisation, through the application of various concepts, theories and frameworks.
2. Identify and analyse responsible management issues relevant to strategy implementation.
3. Analyse the complex issues for organisations implementing strategy in dynamic environments.
4. Apply various concepts and frameworks to make recommendations and improve strategy implementation.
5. Critically analyse some key contemporary issues and propose solutions for sustained organisational effectiveness.

UNIT OBJECTIVES

After completing this Unit, you should be able to:

- explain what strategic adaptability is and why it is important
  - identify the features of strategic adaptability, including strategic dissonance and inflection points
  - apply relevant frameworks to discuss organisational preparedness for crisis and climate change adaptation
- explain some of the debates about organisational innovation in dynamic environments
  - apply frameworks to strengthen organisational innovation in dynamic environments, including consideration of organisational learning, risks and data and digital technologies

- apply positive strategy and apply the SOAR model for strategic transformation.

SECTION HEADINGS

- Strategic adaptability

- Organisational innovation

- Positive strategy

- Practical application: Case Study 8.1

STRATEGIC ADAPTABILITY

Strategic adaptability enables strategic transformation to align with strategic priorities, focusing on the tactical strategy moves that organisations can adopt and coordinate to create distinctive market space and growth. This approach argues that it is strategists' actions and decisions that create consistent implementation outcomes.

This Unit uses themes and ideas from previous Units that implementing strategy can be both a plan and a way of thinking. The choice about how much planning versus how much thinking is made as much by the strategists as by the environment. Strategy implementation is partly proactive and partly reactive. The evolving nature of strategy means that strategy-making is a blend of deliberate and emergent approaches. Strategy includes elements that are both planned and/or emerge in response to unexpected outcomes. Therefore, the implementation approach needs flexibility or adaptability.

The adaptive approach recognises the importance of being able to map or balance strategy. Managing the divide between planning and thinking is inherent in building an adaptive strategy and looking at how strategic choices are converted into outcomes. The organisation typically focuses on its strategic objectives, such as target setting and well-defined measures for objectives. You will note the link to our discussion in Unit 7. For instance, the popular balanced scorecard approach (Kaplan & Norton 1996) links financial performance to specific strategic objectives that derive from a company's business-model. This is a tool that might be used alongside other approaches.

Adaptation is different from agility, although, some might consider that the two have some points in common. Adaptation can be considered as a strategic action and the focus is more on strategic dynamics and dealing with divergence in strategy and action over the long-term. This is because the environment generally changes over longer time periods. The definition of 'long-term' might have different meanings in different industries, because different industries have different product life cycles: some are measured in months; some are measured in years, and some are measured in decades. The trend in almost every industry is that product life cycles are getting shorter. It seems likely that life cycles for software and services will continue to get shorter as technology improves productivity. So, implementing strategy needs to allow ways of managing advantage and eliminating risk.

Video 8.1 further explains the adaptation:

Video 8.1

Harvard Business Review 2019, **'The explainer: Balancing execution and adaptation'**, 19 June [2:10].

STRATEGIC INFLECTION

We use the term 'strategic inflection point', metaphorically, to describe the giving way of one type of industry dynamics to another; the change of one winning strategy into another; or the replacement of an existing technological regime by a new one (Bergelman & Grove 1996). The strategic inflection point (SIP) is a critical period of new major threats and opportunities. In dynamic environments, the alignment between strategy and action and between the basis of competition and distinctive competence comes under pressure. So, these forces are no longer in alignment.

We can conceptualise this as per Figure 8.1 where industry changes materially affect the industry's profitable growth trajectories. By adapting to a new

strategic intent that matches the new strategic conditions, the organisation can grow. Alternatively, the organisation declines and might die.

Figure 8.1 *Inflection: implementation beyond target setting – strategic inflection point (SIP)*
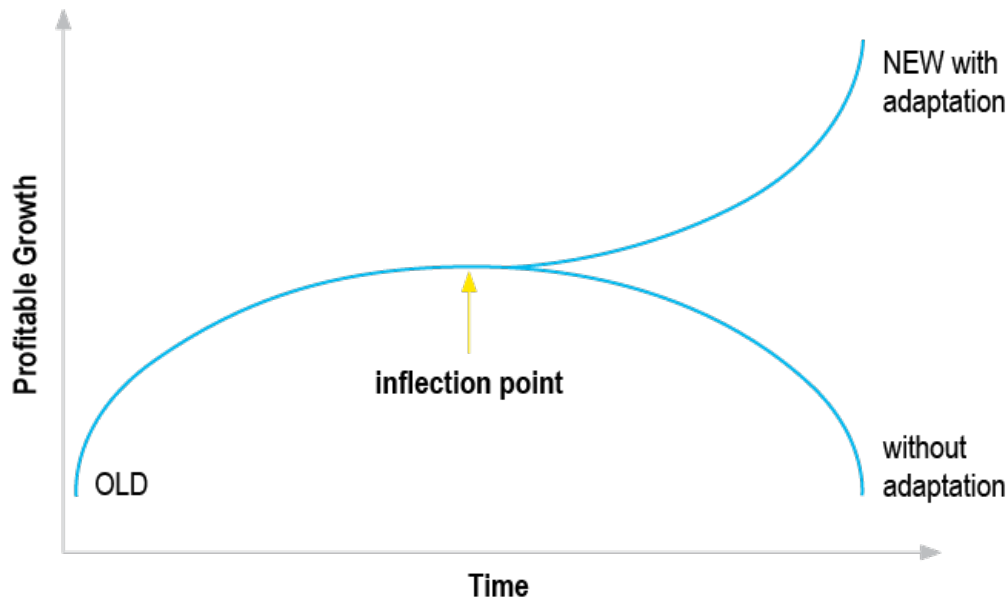
Source: adapted from Burgelman & Grove (1996, p. 11).

Strategic adaptability views strategy implementation as a dynamic exercise, with strategy evolving as a tailored response. The typical strategy adopted is a blend of:

- proactive actions to improve organisational performance and secure competitive edge (or service viability) and
- adaptive reactions to unanticipated developments and fresh market conditions.

Please complete this activity to apply the concept of strategic ability to your own organisation, situation or experience.

◼ **Activity 8.1 Reflection on adaptability**

1. How is strategic adaptability different from strategic agility? Do you think there's an overlap? Do you need both?

Answers to Activity 8.1

STRATEGIC DISSONANCE

You can see how an understanding of the risks and benefits of SIPs might help to turn strategy challenges and potential threats into sustained implementation success. Now that we understand what a strategic inflection point (SIP) is, the next step is to understand how best to respond. A key is being able to recognise inflection points. This is harder than it sounds because it requires you to determine which changes are minor and which require focus.

In Reading 8.1, Burgelman and Grove (1996) discuss how organisations attain adaptability through a perspective of strategic dissonance. Strategic dissonance occurs when there are divergences between strategic intent and strategic action. The strategic dissonance approach focuses on aligning strategy and action. It considers the inflection risk. The authors state that using strategic intent challenges us to look beyond target setting. This contrasts with what we learned in Unit 1 about strategic priorities. The reading draws on the practical experience and research at the firm, Intel Corporation, which faced multiple technology disruptions. This classic article provides foundational concepts still used today and which underpin other strategies.

Note some of the practical ideas for strategy implementation from Burgelman and Grove (1996):

- Debate: Figure 8.2 illustrates how there is a sweet spot in the intensity and level of internal debate (not too much debate and not too little) in order to navigate the SIP successfully. Note how your organisations needs to be having strategic discussions about customers, suppliers, regulators and competitors, and listening hard to middle management and salespeople (and service people!) who spend lots of time outside the

office in the field.

- Resource allocation: note the importance of the internal environment for allocating scarce resources – cash, competencies, capabilities and senior management attention (Burgelman & Grove 1996, p. 16). No matter what the strategy says, this is what the organisation really does!

As you read the article, please focus on the central themes rather than the technical details mentioned in the text. We are really just comparing 'technology A' with 'technology B'.

Figure 8.2 *Inflection: the relationship between adaptability and internal debate*
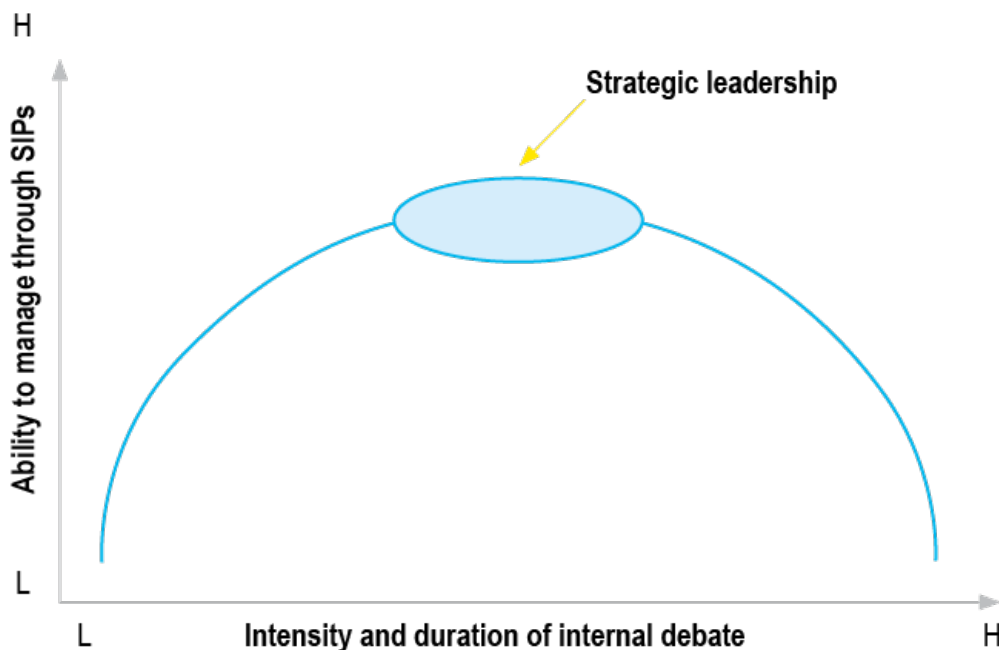
Source: adapted from Burgelman & Grove (1996, p. 22).

We encourage you to do this activity to guide your readings and reflection as you peruse Burgelman and Grove (1996).

Activity 8.2 Reflection on strategic dissonance

Thinking about your experience in your work life, you might find it helpful to

identify sources of strategic dissonance that you have experienced or observed, and use that experience to reflect on the following questions:

1. Burgelman and Grove refer to the 'bubble'. How can you/your organisation take advantage of the 'bubble'? Alternatively, how might you/your organisation have done so in prior situations?

2. Carefully read the section in the article with the heading: 'Culture is the key'. Do you have this culture? If not, describe the gaps – what would be required to develop it?

Answers to Activity 8.2

[Save to Notebook]

The reading gave examples of Intel's adaptation as the technology environment changed. We can also apply adaptation to other dynamic situational changes. For example, many organisations are facing new strategic realities for sustainability. They must adapt to implement strategy successfully to achieve effective climate action. Many organisations must integrate plans for climate action, not just into their targets and strategies, but firmly into strategy implementation. The United Nations Sustainable Development Goal number 13 (UN SDG 13) is for Climate Action. [See **UN SDGs** Webpage for more details].

Activity 8.3 Strategic dissonance – application to UN SDG 13 Climate Action

1. Thinking about your experience in your work life (current or recent past), what practical actions could you take from Burgelman and Grove (1996), which would assist your organisation to take action and respond appropriately to climate change risks?

THE ADAPTABILITY OF SUPPLY CHAINS

Environmental disruption can impact supply chains and ecosystems. For example, we are now all very familiar with the supply chain disruptions and shortages that occurred over the past few years due to Covid-19. Strategy implementation usually requires broader considerations – beyond the organisation. Professor Willy C Shih (2020) discusses 'Global supply chains in a post-pandemic world', arguing that organisations need to make their supply networks more resilient.

In 2019, global supply chains already faced threats from trade wars (e.g. the US-China trade war) and a rise in nationalism. The crisis of the coronavirus pandemic exposed weaknesses in supply chains and some disruptions continued for years. Many organisations simply hadn't rigorously identified and addressed hidden vulnerabilities. Shih (2020) proposes that organisations should adopt a new vision suitable to the realities of this era, one that still leverages capabilities in different geographies but also improves resilience and reduces risks from future disruptions. Shih makes implementation recommendations for organisations to take a fresh look at supply networks, take steps to understand vulnerabilities and then take action to improve robustness to give themselves an advantage. Here are three steps that organisations should consider:

First, uncover and address the hidden risks. Organisations need to thoroughly map supply chains to uncover risks and take action to mitigate those risks. Shih suggests organisations to:

- identify their vulnerabilities
- diversify their supply base

- hold intermediate inventory or safety stock.

Secondly, take advantage of process innovations in data and technologies. Relocating supply chains is an opportunity to make major process improvements as you can unfreeze your organisational routines and revisit the design assumptions underpinning the original process. New technologies allow organisations to lower costs, increase flexibility and resilience and make operations more environmentally sustainable. Explore new technologies including:

- automation

- new processing technologies

- continuous flow manufacturing

- additive manufacturing

Finally, revisit the trade-off between product variety and capacity flexibility. More choice isn't always better. Companies should reconsider the advantages and disadvantages of producing so many product variations called 'SKU proliferation'. This is an opportunity to revisit product strategies.

Activity 8.4 Reflection on the adaptability of supply chains

Shih says, "It is very difficult for a single firm to possess the breadth of capabilities necessary to produce everything by itself" (2020, p. 84). Keeping in view this perspective, reflect on the following questions.

1. Consider your supply networks. In your organisation or unit, who do you rely on to deliver your key products or services to customers or for your operations?

2. Do you have suitable risk mitigations in place for supply chain risks? What are the trade-offs to put those mitigations in place?

Answers to Activity 8.4

Shih's ideas supported us to consider the whole supply chain in our strategy implementation. Often, organisations must look beyond their own organisations to consider the full supply chain – for instance with regard to modern slavery legislation. They must integrate plans for employment and workforce, not just into their targets and strategies, but firmly into strategy implementation. This topic aligns with UN SDG 8 for Decent Work and Economic Growth. The United Nations reported at the end of 2022 how progress towards decent work had been negatively impacted: global economic recovery had been hampered by supply chain disruption, new waves of Covid-19, rising inflation, policy uncertainties and labour market challenges.

The points from the UN SDGs might prompt you to a broader consideration of supply chain impacts for strategy implementation. Please consider the key points from Shih (2020) and UN SDG 8 for the practical application.

Activity 8.5 Supply chains – application to UN SDG 8 Decent Work and Economic Growth

UN SDG 8 is to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

What can you do about this? Reflecting on the points about adaptability and supply chains from Shih (2020) and your own experience, identify the key actions you can take to drive progress against UN SDG 8.

Answers to Activity 8.5

ADAPTING TO A NEW REALITY AFTER A CRISIS

Jacobides and Reeves (2020) discuss how organisations can adapt to new realities following a crisis. The authors state that, while it will be quite some time before we understand the full impact of the coronavirus pandemic, the 'history of shocks' raises two important points:
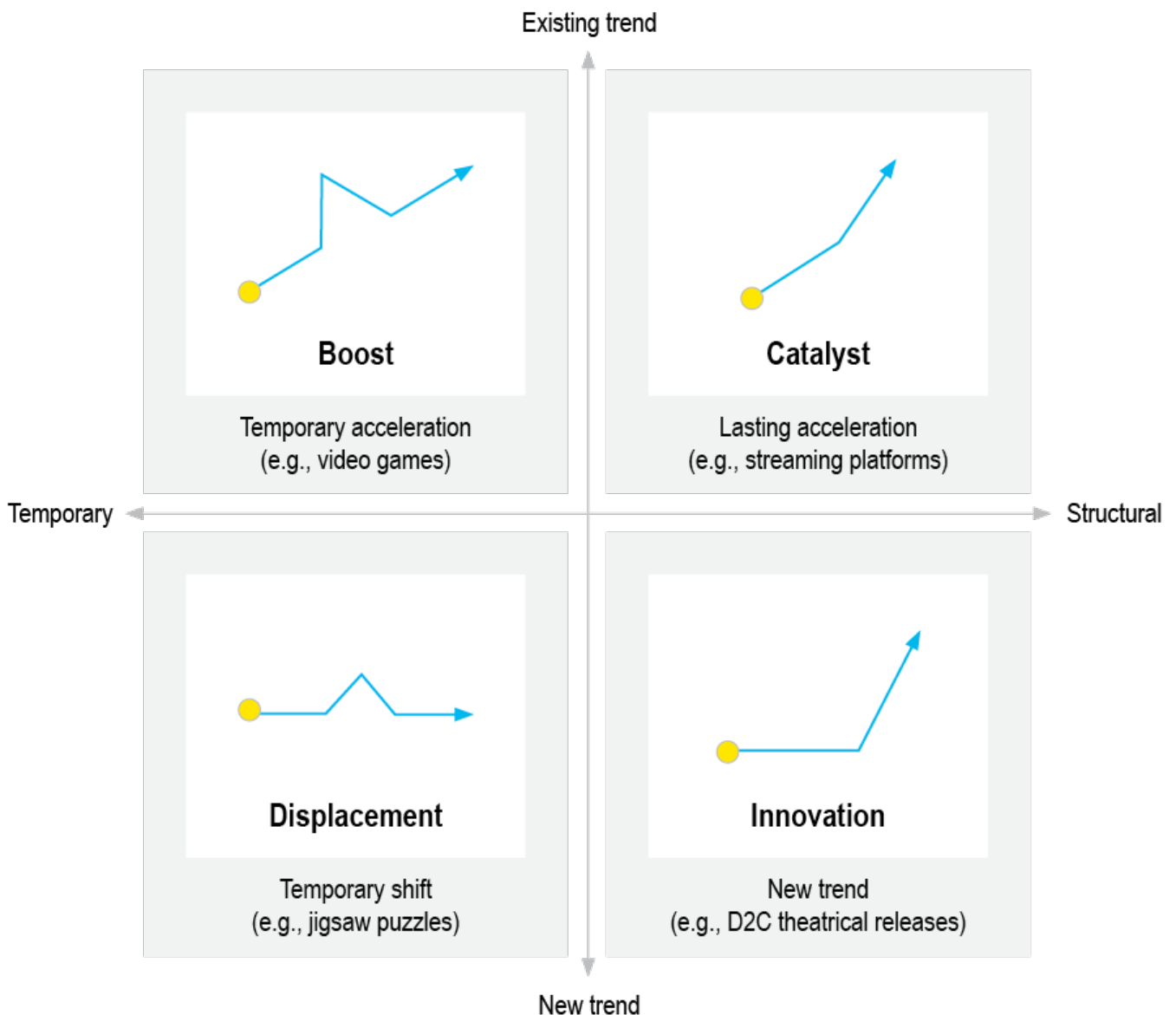
- Even in severe economic downturns and recessions, some companies are able to gain an advantage. In the past four downturns, 14% of large companies increased both their sales growth rate and the EBIT margin.

- In addition to temporary changes (such as short-term shifts in demand), crises also produce lasting changes. For instance, the 9/11 terrorist attacks caused only a temporary decline in the demand for air travel, but a long-lasting change in societal attitudes about the trade-off between privacy and security, resulting in permanently higher levels of screening and surveillance.

A shock like the Covid-19 pandemic can produce lasting changes in customer behaviour. When a shock hits, successful organisations are those that quickly spot the lasting changes in behaviour, adjust business models to reflect them and are not afraid to make investments and reallocate capital more effectively.

Jacobides and Reeves (2020, p. 150) propose three steps to not only survive a crisis but to also thrive in the post-crisis world:

1. **Reassess growth opportunities**: examine how people are spending their time and money. Challenge traditional ideas and use data to actively seek out anomalies and surprises. Develop a systematic understanding of changing habits: categorise demand shifts using their simple 2x2 matrix to identify the type and duration of new trends (see Figure 8.3). Use this to understand where the opportunities lie – in Boost or Catalyst (for an existing trend) or in Displacement or Innovation (for a new trend).

Figure 8.3 *Matrix to identify the type and duration of new trends*

Existing trend

Boost	Catalyst
Temporary acceleration (e.g., video games)	Lasting acceleration (e.g., streaming platforms)
Displacement	Innovation
Temporary shift (e.g., jigsaw puzzles)	New trend (e.g., D2C theatrical releases)

Temporary ← → Structural

New trend

Source: adapted from Jacobides & Reeves (2020, p. 79).

2. **Reconfigure your business model**: next, adjust your business model to reflect behavioural changes, considering what the new trends might mean for how you create and deliver value, whom you need to partner with and who your customers should be. Your new business model will be shaped by the demand and supply shifts relevant to your industry.

3. **Reallocate your capital**: finally, put your money where your analysis takes you and be prepared to make a more aggressive and dynamic investment.

ORGANISATIONAL INNOVATION

Advances in technology can cause continuous ongoing shake-ups in industries. Clayton Christensen is known in strategy and economics for his work on creative

destruction about how firms and industries change in response to technological development. He is a Harvard Business School Professor and the world's most influential management guru according to the **Thinkers50**. In an article on 'disruptive technologies' published in 1995, Bower and Christensen discuss what happens when a revolutionary technology emerges. Organisations that are established in their industry, tend to double down on the existing approach that made them successful and focus on well-managed organisations that meet the needs of their current customers. Thus, established and successful organisations actually miss the opportunity and can fail to stay on top of the industry as new technology invades the established market. By the time the established organisation realises this, its competitive disadvantage can be insurmountable.

Bower and Christensen (1995) draw a distinction between sustaining innovation that maintains a steady rate of product improvement, and disruptive innovation. Disruptive innovation sacrifices performance along dimensions that are important to different customers to offer a different package of attributes not yet valued by customers. This can open up entirely new markets. Staying focused on existing customers can work so well that you overlook disruptive technologies, and the consequences can be disastrous. For resilience, the authors propose organisations follow four steps:

1. Speak to the technical experts to identify whether the technology is disruptive or sustaining.

2. If disruptive, define the strategic significance (but don't ask your customers, they are the last people to know about this).

3. Locate the initial market for the disruptive technology by experimenting rapidly and inexpensively with both the product and market – because this market doesn't exist yet.

4. Put the disruptive technology in an independent entity so that it does not have to compete with established products for organisation resources.

Please watch Video 8.2 in which Clay Christensen lays out his landmark theory.

▮ Video 8.2

Harvard Business Review 2012, **'Disruptive innovation explained'**, 31 March [7:51].

Not everyone agrees with Christensen. Matt Ridley, who has authored many books, discusses how innovation has shaped the modern world – giving us vaccines, dean water, the food on our tables, the internet – and yet it is mysteriously difficult to predict or plan. In his book *How innovation works*, Ridley (2021) says the modern obsession with Christensen's 'disruptive innovation' is misleading because "even when a new technology does upend an old one, the effect begins slowly, gathers pace gradually and works by increments, not leaps and bounds… a phenomenon I call the Amara hype cycle, after Roy Amara who first said that we underestimate the impact of innovation in the long run but overestimate it in the short run" (2021, p. 9).

Ridley refers to innovation as, "the infinite improbability drive". This is a reference to the infinite source of power for the starship *Heart of Gold* – a metaphor for wealth – in Douglas Adams's *The hitchhiker's guide to the galaxy*. Ridley says that innovation comes in many forms. Like evolution, innovation is a process of constantly discovering ways of rearranging the world into forms that are unlikely to arise by chance – and that happens to be useful. Thus, innovation is potentially infinite, as innovation can "always find ways to do the same things more quickly or for less energy" (2021, p. 3).

Ridley states Innovation's essentials:

He discusses topics such as using the features that innovation is a bottom-up phenomenon, big organisations stifle innovation and bureaucracy strangles it. It's probably no surprise, therefore, that he talks of encouraging innovation, "the simple process of trial and error on which all innovation depends" (2021, p. 273), rather than constraining it. He sees failure as a necessary ingredient of success, and that innovation needs to be set free (not managed). With innovation, "we face a bright future of longevity and health, more people leading more-fulfilled lives, astonishing technological achievements, and a lighter impact on the planet's ecology" (2021, p. 372).

AN INNOVATION EXAMPLE

Innovation is the application of ideas or inventions in ways that are popular with the target consumer. For a successful example of innovation, the Blue Ocean Strategy blog discusses Zoom:

> Zoom is a successful value-innovation business that made high-quality, reliable video conferencing easy. Users love Zoom for the simplicity of setup, use, relatively low cost, and quality of the calls.
>
> Zoom didn't invent the technology – there were other videoconferencing services long before Zoom came along. Videoconferencing was initially developed in the 1950s, and web-based videoconferencing has existed since the 1990s.
>
> Since then, countless web-based videoconferencing companies have emerged but whereas these services could be difficult to set up or suffer substantially lower call quality, Zoom vastly simplified setting up and joining a video call and made sure the calls were clear and seldom or never dropped.
>
> Zoom made the installation and use of this mature technology far easier, allowing a wider group to unlock and realize the utility without the hassle. A click or two is all that is required to start or join a high-quality online video conference. Zoom is value innovation.
>
> (The Blue Ocean Team n.d.).

As you read the Zoom example and reflect on Ridley's list of innovation essentials, consider how innovation combines invention with the use of that invention. This requires knowledge of behaviour and business models. It requires skills to invent, an understanding of user behaviour and business skills to get the innovation to market in a sustainable and profitable manner. An innovation is an improvement to an existing product or idea, often changed by repurposing the invention or introducing new ideas and technology to the subject.

ORGANISATIONAL INNOVATION AS AN ACTIVE LEARNING PROCESS

In Reading 8.2 (optional) 'Innovation for impact', Curtis Carlson (2020), the CEO of a consultancy based in Silicon Valley, discusses how to make innovation more efficient – as an active learning process. Despite of substantial investment in entrepreneurship – by the government, universities and the private sector – the per capita rate of job creation from new companies has declined for a decade. I like how Carlson links innovation with organisational learning. Carlson spells out how learners must follow a structured process that includes five basic elements of active learning. Systematic success is achieved when active learning is brought into a complete value-creation system. Carlson proposes designing an "NABC value proposition" for more efficient innovation within organisations.

Reading 8.2 (Optional)

Carlson, C R 2020, **'Innovation for impact'**, *Harvard Business Review*, November-December, pp. 124–133.

Activity 8.6 Innovation for impact – an active learning process

> Because value creation is a highly collaborative, interdisciplinary activity, no individual will have all the necessary knowledge, relevant mental models, or insights.
>
> (Carlson 2020, p. 128).

As you reflect on this statement, you might consider which elements of the reading are especially useful for you. What could you apply in your organisation or situation?

Answers to Activity 8.6

Save to Notebook

DISCOVERY-DRIVEN DIGITAL TRANSFORMATION

When implemented appropriately, data and digital technologies enhance organisational innovation. McGrath and McManus (2020) propose the interesting idea that incumbents can **_learn_** their way to a new business-model.

The authors note there is a huge threat posed to many established organisations by digital technologies and models. Many CEOs panic and believe the existential threat posed by digital disruptors requires a "gigantic, model-busting response" (McGrath & McManus 2020, p. 126). The incumbents make big, "bet-the-farm moves", and spend billions trying to turn themselves into "digitized orchestrators of some new ecosystem" (2020, p. 126). However, it can fail badly.

They give the example of Veon, a large multinational telecommunications service provider. Veon introduced a new digital platform. This was a huge project involving hundreds of staff to create a mobile App for their customers. Management considered this project to be the top priority. However, the strategy was a failure when the App got a lukewarm response from customers. Consequently, the effort to build the new ecosystem around it was scrapped. There were management exoduses and layoffs, and the organisation adopted a back-to-basics strategy with digital efforts sidelined (McGrath & McManus 2020).

McGrath and McManus note the complexity of digital transformation and how this requires new ways of approaching strategy. On the one hand, digital startups can change direction or pivot without destroying much value. On the other hand, those methods are often not suitable in incumbent and traditional organisations, which are capital-intensive with big payrolls. Incumbent companies do have advantages over new competitors, such as paying customers, financial resources, customer and market data and larger talent pools. CEOs of incumbent organisations need to integrate agility and innovation into their broader organisations. They need to communicate new ways of digital thinking while minimising disruption to their existing business.

The authors propose that established organisations adopt an incremental experimental approach to digital transformation. They call their approach discovery-driven digital transformation. It is based on a technique called discovery-driven planning (DDP) that Professor Rita McGrath helped develop in the 1990s. They advise executives at traditional forms to take things step-by-step. Rather than attempting an all-or-nothing pivot, incumbents should exploit their greater resources and knowledge and explore a variety of ideas at once.

By continually finding ways to fix problems with digital technology, testing and refining assumptions about what works, getting new information and minimising risks, the incumbents can learn their way gradually toward an effective digital response. Organisations should look for problems to fix with digital technology but exploit their rich knowledge of customers, broad operational scope and deep talent pools while learning their way to a new business-model.

The article proposes five steps for applying a DDP approach to digital transformations:

1. Define the operating experience: it's not just about digital.
2. Focus on specific problems: identify outcomes and progress metrics.
3. Identify your competition: cast a wide net.
4. Look for platforms: don't forget the ecosystem implication.
5. Test your assumptions: failures are lessons too.

The article shares an example of an incumbent retail firm, Best Buy, successfully responding to the digital disruption brought by Amazon. Best Buy used those five steps to exploit existing resources in stores, customer knowledge and staff. Best Buy overhauled its processes to cut costs and match prices, turned its physical stories into an asset by allowing orders to be picked up (avoiding delivery headaches) and charged brands fees to be in mini stores within its outlets. It also built a team of technology consultants who strengthened customer relationships.

▮ Activity 8.7 Discovery-driven digital transformation

1. Do you agree with the discovery-driven digital transformation approach? Why or why not?
2. What are the key learning points for you and what can you do?

Answers to Activity 8.7

POSITIVE STRATEGY

To conclude this Unit, we introduce you to positive strategy and 'SOAR' as a practical approach for adaptability. SOAR stands for strengths, opportunities, aspirations and results. This Unit provides you with a framework that you can consider as a means of making strategic adaptability happen. It's been interesting watching the movement for positive psychology and positive organisational strategy enter the mainstream over the past twenty years or so.

The positive strategy utilises ideas from positive organisational psychology. It focuses on positive processes that enable collective resourcefulness and dynamics which lead to positive states and outcomes. For example, it might have a focus on optimal states and generative dynamics that lead to the development of strengths, foster resiliency, enable growth and cultivate performance.
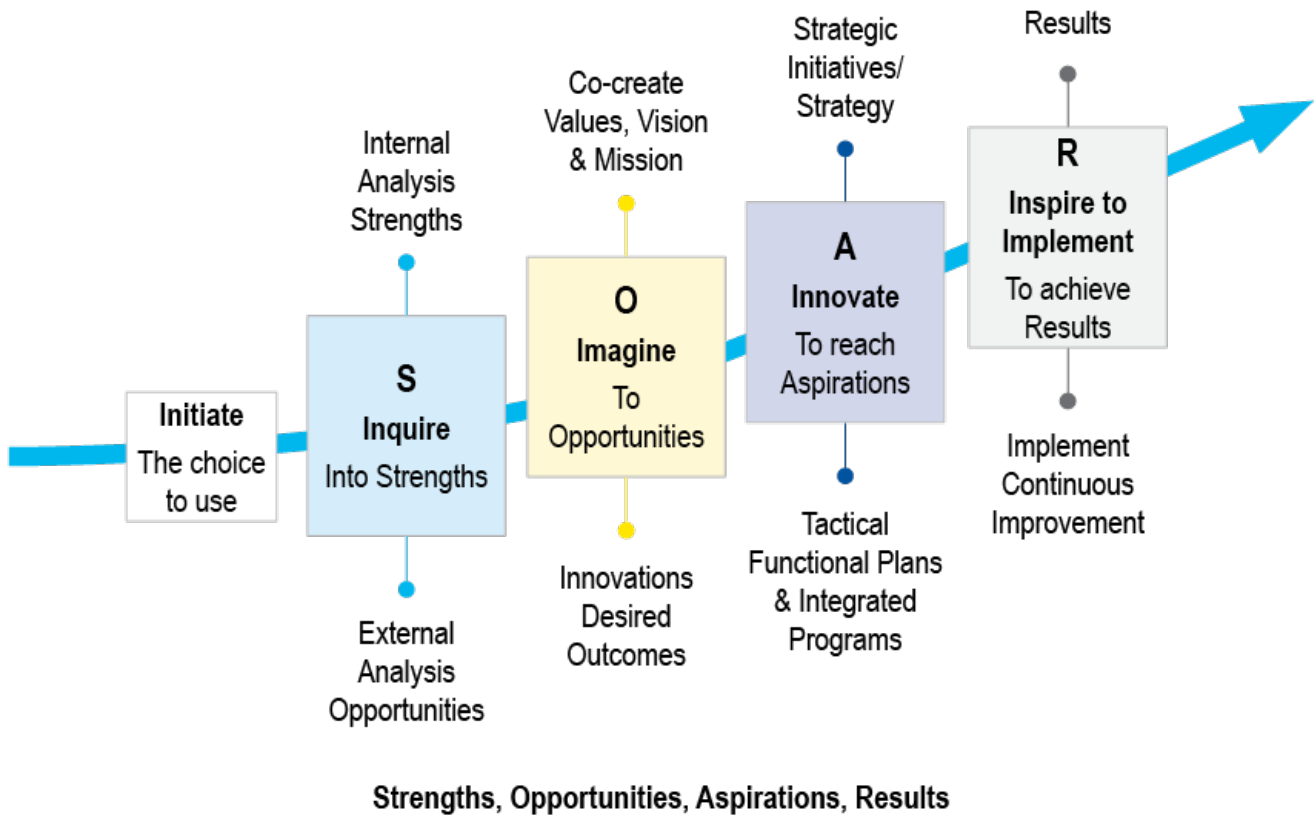
The motivation for adopting a positive strategy is that it energises and generates an alternative approach to competing differently over the long-term. Thinking about how to integrate and use models of strategic thriving and wellbeing prompts enhanced engagement with resources and capabilities.

Most organisations are filled with tools and methods to solve problems and minimise weaknesses. Here we explore an alternative by building on the positive. Specifically, we consider the SOAR approach which has developed from a different way to have conversations. As you will discover from the article by Stavros and Wooten, there are many claims this approach unleashes more energy and engagement, for creating and sustaining a 'strengths-based strategy that soars and performs'.

Stavros and Wooten (2012) propose that SOAR is an approach for framing strategy through a positive organisational scholarship (POS) lens.

Figure 8.4 *Positive strategy and SOAR*

SOAR Framework

SOAR Framework

Initiate — The choice to use

S — Inquire — Into Strengths
- Internal Analysis Strengths
- External Analysis Opportunities

O — Imagine — To Opportunities
- Co-create Values, Vision & Mission
- Innovations Desired Outcomes

A — Innovate — To reach Aspirations
- Strategic Initiatives/ Strategy
- Tactical Functional Plans & Integrated Programs

R — Inspire to Implement — To achieve Results
- Results
- Implement Continuous Improvement

Strengths, Opportunities, Aspirations, Results

Source: adapted from Stavros & Wooten (2011, p. 828).

Reading 8.3 discusses the SOAR model in detail.

Reading 8.3

Stavros, J M & Wooten, L P 2011, **'Positive strategy: Creating and sustaining strengths-based strategy that soars and performs'**, in Spreitzer, G M & Cameron, K S (eds.) *The Oxford handbook of positive organisational scholarship*, Oxford University Press.

Activity 8.8 Positive strategy and SOAR

1. Do you agree with the premise of this article? Why or why not?

2. What elements of the reading could you apply in your organisation or situation?

Answers to Activity 8.8

Save to Notebook

PRACTICAL APPLICATION: CASE STUDY 8.1

Your facilitator will provide further details about Case Study 8.1 for the practical application of the concepts and frameworks from Units 6–8.

KEY TAKEAWAYS

- Strategic adaptability enables strategic transformation to align with strategic priorities, focusing on the tactical strategy moves that organisations can adopt and coordinate to create distinctive market space and growth. It is strategists' actions and decisions that create consistent implementation outcomes.
    - Strategic dissonance occurs when there are divergences between strategic intent and strategic action.
    - Identification of changes before the strategic inflection point (SIP) assists organisations to achieve advantage.
    - Preparation and consideration of vulnerabilities, risks and mitigations increase the organisational preparedness for a crisis. We have considered practical examples, including climate action, cyber security and supply chain disruption.
- For effective innovation in dynamic environments, there is debate about the need for 'big moves' versus experimental incremental change. We have considered some practical strategies for innovation, including digital transformation.

- A positive strategy can be very useful. In this Unit, we have applied the SOAR model for strategic transformation.

We have now finished Part 3 of this course, in which we have looked at how organisation need to be agile strategically, develop talent effectively and drive positive transformation. In the next Unit, we commence Part 4, the final part of this course.

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UNIT
9

ACHIEVING SUSTAINED STRATEGIC EFFECTIVENESS AND ETHICAL CONSIDERATIONS

Prescribed readings are placed in context within the Units of this eBook, but they are not linked in this eBook. **Links to all of the prescribed readings referred to in this eBook are available to you in your Moodle class site - please see the link to your Leganto Reading List.** Please go to that reading list as you begin engaging with these materials and download all the readings for your easy and ongoing access as you work through this eBook.

INTRODUCTION

Short Story 9.1 (Practical application):

Please read Short Story 9.1 (practical application). The short story is on page 68. This story is from the former CEO and is an interesting introduction to the Pepsico example given later in this Unit.

INTRODUCTION TO PART 4 (UNITS 9–10 INNOVATION, DECISION-MAKING AND ETHICS)

Now that we are starting the last part of the course (Part 4), let's look at Figure

9.1, which illustrates how the four different parts of this course fit together.

Part 4 focuses on integration and application. In the final part of the course, we bring many of the earlier topics together as we apply strategic implementation frameworks to contemporary examples. We will dig a little deeper into the topics we discussed earlier, such as innovation, decision-making and ethics, as we examine how organisations can achieve sustained organisational effectiveness and align with purpose.

Figure 9.1 *Overview of the course*

INTRODUCTION TO THE UNIT
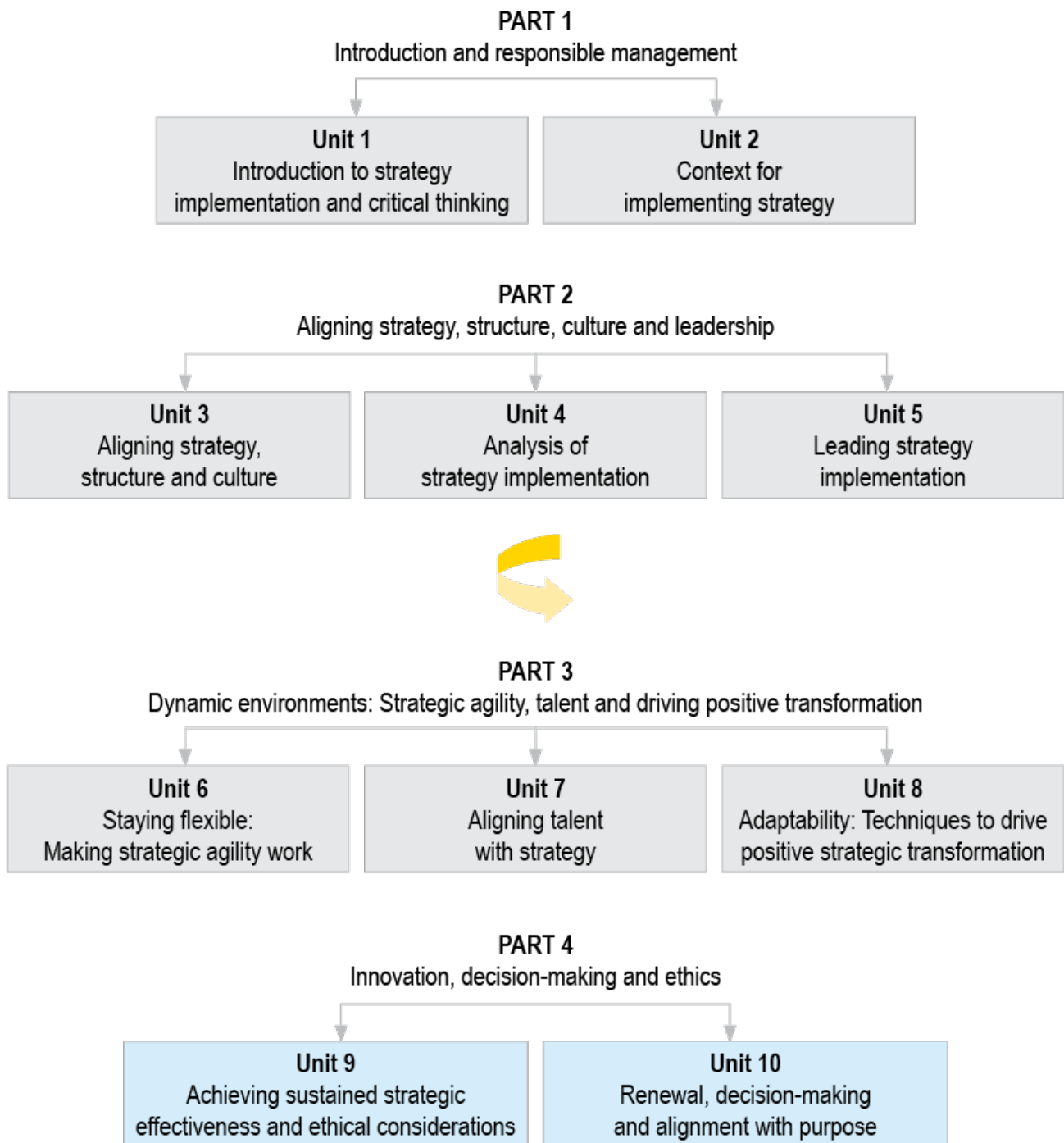
Unit 9 discusses organisational sustainability, strategic rigidities and strategic learning. We will also examine some ethical dilemmas linked to climate action and digital technologies.

THE RATIONALE FOR THIS WEEK'S TOPIC

There is often a tension between continuing what has worked well in the past and embracing future opportunities. In Unit 9, we extend the topic of sustained organisational effectiveness further to consider how organisations embrace learning to confront new sustainability and ethical challenges.

Technology advancement creates solutions and challenges, including ethical dilemmas, for strategy implementation. So, it's important to consider the role of data and technology's role in disruption, strategic learning and ethical considerations. We will consider ethical dilemmas by applying the ethical framework concepts to practical examples, such as climate action and digital technologies. You will notice how these link to several of the UN SDGs.

COURSE LEARNING OUTCOMES (CLOS)

This Unit links to the following Course Learning Outcomes:

1. Describe and critically analyse strategy implementation for an organisation, through the application of various concepts, theories and frameworks.

2. Identify and analyse responsible management issues relevant to strategy implementation.

3. Analyse the complex issues for organisations implementing strategy in dynamic environments.

4. Apply various concepts and frameworks to make recommendations and improve strategy implementation.

5. Critically analyse some key contemporary issues and propose solutions for sustained organisational effectiveness.

UNIT OBJECTIVES

After completing this Unit, you should be able to:

- apply frameworks to discuss the escalation of commitments and why

organisations sometimes stick to winning strategies for too long (strengths can become rigidities)

- apply frameworks to critique and improve organisational efforts to drive innovation, strategic learning and elements involved to develop a learning organisation
- apply frameworks to ethical dilemmas for strategy implementation – including contemporary examples such as digital technologies and climate action
- integrate earlier frameworks into holistic considerations of how to achieve sustained organisational effectiveness, for example, identify why sustainability efforts often fail
- apply frameworks to case studies and your own practice.

SECTION HEADINGS

- Escalation of commitment
- Innovation, strategic learning and the learning organisation
- Ethical framework application
- Achieving sustained organisational effectiveness
- Practical application

ESCALATION OF COMMITMENT

In earlier Units, we discussed how organisations and strategy implementation must change and adapt in dynamic environments. In this Unit, we continue to apply systems thinking as we focus on converting strategy choices into outcomes. Sustained strategic effectiveness emphasises making strategy a 'winner' – whether it be through measurable competitive advantage in the private sector or increased efficiencies for the public or non-profit sector.

Over time, success can become a source of weakness. If the strategy makes an organisation successful, this success can become an implementation risk. A winning strategy can kill the organisation due to the tendency to cling to the old processes, actions and biases that lead to currently successful outcomes. The

more the organisation 'wins' and the longer they win, the higher the risk of an escalating commitment.

Escalation of commitment refers to the tendency of decision-makers to rationalise and persist with a course of action, usually continuing to invest in a failing cause in order to prove that the original choice and investment were sound. Escalation of commitment occurs because there is often tension between continuing what has worked well in the past and embracing future opportunities.

A successful approach often leads to a level of entrenched comfort and functionality – an escalating commitment to ideas, functions, established analysis and even an understanding of competition, competitive forces and risks. These problems are sometimes slow to form, often difficult to notice, and cultivate entrenched and ineffective strategy.

The strategy describes how organisations operate competitively, covering a cross-section of approaches – from deliberate to emergent. To be strategically successful over the long term, organisations need to identify and eliminate bad practices, as well as to constantly evaluate and renew their strategic intent. Like organisational change, the strategy does not remain still or stable: it adapts and alters over time.

So, we need to break open escalating commitments or limit them from taking hold. We can see how implementing strategy needs a degree of flexibility and reflection to sustain effectiveness, suggesting the value in combining macro and micro perspectives (bottom-up and top-down). Implementing strategy needs a degree of flexibility and continuing feedback loops (or self-reflection).

We will now do a quick review of different ideas from the literature to give you broader perspectives on the escalation of commitment. You can then use a range of frameworks to discuss the escalation of commitments and explore why organisations sometimes stick to winning strategies for too long – strengths can become rigidities.

ARE YOUR COMPANY'S STRENGTHS REALLY WEAKNESSES?

In discussing how 'things sometimes flip completely', Brandenburger (2019) recognises that strengths can quickly turn into weaknesses when small rivals "leverage the larger firm's size and capabilities against it". However, deficiencies can also become advantages. Brandenburger says to consider

challenging assumptions. The quote below provides some examples:

> Consider what's happening in aerospace, where the new venture SpaceX lacks the financial resources of its established competitors and, as a result, has had to innovate ways to slash its production costs, which the large incumbents would now be hard pressed to copy. Similar dynamics are playing out in education and in the coffee retail market in China. To foresee such potential reversals, executives need to perform a new kind of SWOT analysis, carefully examining whether organizations' strengths may in fact pose a threat to their future and whether supposed weaknesses could actually be opportunities.
>
> (Brandenburger 2019).

STOP DOUBLING DOWN ON YOUR FAILING STRATEGY

Vermeulen and Sivanathan (2017) explain clinging to a once-successful strategy happens because of the six most important mutually reinforcing biases (see list below). People's judgement may be swayed by a prior commitment to a course of action. These biases can cause decision-makers to double down on a failed strategy.

1. The sunk cost fallacy: decision-makers factor in costs already incurred. Withdrawing from a course of action means those costs won't be recovered. However, a rational decision-maker will only look at future costs, not past ones.

2. Loss aversion: if the decision-makers see a chance of turning the situation around, they allocate more resources to a course of action with losses, despite low expected returns.

3. The illusion of control: people habitually overestimate their ability to control the future, and prior success tends to amplify the illusion. People are quick to take credit for the outcomes of decisions and confuse having correctly predicted the future with having made it happen.

4. Preference for completion: people have an inherent bias toward completing tasks.

5. Pluralistic ignorance: dissenters often remain silent because they feel they are the only ones with reservations about a decision or action. Others interpret silence as agreement. This can lead to groups agreeing to a decision that no one or few people actually support (also known as 'the Abilene paradox).

6. Personal identification: people's identities and social status are tied to their commitments. Withdrawing from a commitment may result in a

perceived loss of status or a threat to one's identity. Executives do not like to admit that a decision was wrong because the ability to make good decisions is part of what defines a good executive.

It is possible to counteract these biases by applying certain processes and practices in decision-making. Vermeulen and Sivanathan (2017) propose solutions for how organisations can reduce their exposure to escalation by adopting six practices:

1. Set decision rules. Agree the rules or criteria in advance.

2. Pay attention to voting rules. How will you count things? For instance, if judging against two criteria, agree in advance on how the views of the team will inform the decision (simple tally, one criterion more important than another or need to get consensus).

3. Protect dissenters. Leaders create an environment of 'psychological safety', in which people do speak up, share dissenting information and challenge the organisation's course of action without the fear of being punished or humiliated. For instance, provide anonymous feedback channels, deploy larger teams, calibrate diversity or model doubt.

4. Explicitly consider alternatives. Invest in developing and considering alternate options. Experiments have shown that framing strategic questions to include the possibility of alternatives is an effective way to avoid an escalation of commitment to one course of action.

5. Separate advocacy and decision-making. For instance, separate managers who initiate a process from those who are approving it. Banks often apply separation of duties.

6. Reinforce the anticipation of regret. Get managers to anticipate the regret they may feel for not having taken a different road. Take a temporal perspective (ask them to look forward in time or to use prospective hindsight to imagine a concrete failure scenario and work backward from that). Take an interpersonal perspective by getting managers to step into different roles. When CEO Gordon Moore was initially reluctant to withdraw from dynamic random access memory (DRAM) because it was "the product that made Intel", Andy Grove, co-founder at Intel, famously asked: "If we got kicked out and the board brought in a new CEO, what do you think they would do?"

RESOURCE-BASED VIEW: CORE RIGIDITIES

We can view escalation of commitment through the framework of 'core rigidities'. Leonard-Barton (1992) pointed out that managers face a paradox about how to take advantage of core capabilities without being hampered by their dysfunctional flip side.

The resource-based view (RBV) of strategy argues that organisations have resources that can be combined in bundles to create capabilities. A subset of the resources enables organisations to achieve competitive advantage and a subset of those lead to superior long-term performance. Core competencies are a subset of the organisation's capabilities. Not all capabilities are 'core'. Core competencies refer to those capabilities or resources that provide a source of competitive advantage for an organisation over its rivals. To identify them, we might typically apply tests such as the VRIO (valuable, rare, costly to imitate, and non-substitutable) framework. Resources and capabilities give the organisation a sustained competitive advantage if it is. Possible examples of core competencies are inventory management at Walmart, and Dell's distribution system.

Leonard-Barton identified core rigidities. Her findings about capabilities were published in 1992:

1. While core capabilities are traditionally treated as clusters of distinct technical systems, skills and managerial systems, these dimensions of capabilities are deeply rooted in values, which constitute an often overlooked but critical fourth dimension.

2. Traditional core capabilities have a downside that inhibits innovation – called 'core rigidities' – the situation where a firm's strengths are also simultaneously its weaknesses. Core rigidities can be inflexible or unyielding. Core rigidities are built through the same activities that create core capabilities.

STRATEGIC FLEXIBILITY AND COMPETITIVE ADVANTAGE

We might also consider the implications of how to maintain strategic flexibilities for managers. Harrigan (2017) writes the following in the Oxford Research Encyclopedia of Business and Management:

> Concerns regarding strategic flexibility arose from companies' need to survive excess capacity and flagging sales in the face of previously unforeseen competitive conditions. Strategic flexibility became an organizational mandate for coping with changing competitive conditions and managers learned to plan for inevitable restructurings. They learned to reposition assets and capabilities to suit their firms' new strategic aspirations by overcoming

barriers to change. Core rigidities flared up in the form of legacy costs, regulatory constraints, political animosity, and social resistance to adjusting firms' strategic postures; managers learned that their firms past strategic choices could later become barriers to adapting corporate strategy.

(Harrigan 2017).

As you read Harrigan (2017), you might reflect on what your experience of what managers focus on or could focus on to address inertia to change:

Confronted with the difficulties of changing strategic postures, market orientations, and overall cost competitiveness, managers embraced the need to combat organizational rigidity in all aspects of their firms' operations. Strategic flexibility affected enterprise assets, capabilities, and potential relationships with other parties within firms' value-creating ecosystems; the need for strategic flexibility influenced investment choices made to escape organizational rigidity, capability traps and other forms of previously unrecognized resource inflexibility….

Where exogenous changes drove competitive conditions to become more volatile, attainment of strategic flexibility mandated the need to downsize the scope of a firm's activities, shut down facilities, prune product lines, reduce headcount, and eliminate redundancies—as typically occurred during an organizational turnaround—while simultaneously increasing the scope of external activities performed by an enterprise's value-adding network of suppliers, distributors, value-added resellers, complementors, and alliance partners, among others. Such structural value-chain changes typically exacerbated pressures on the firm's internal organization to search more broadly for value-adding innovations to renew products and processes to keep up with the accelerated pace of industry change…. The sometimes surprising efforts by firms to avoid inflexibility included changes in the nature of firms' asset investments, value-chain relationships, and human-resource practices. Strategic flexibility concerns often trumped the traditional strengths accorded to resource-based strategies.

(Harrigan 2017).

⬛ **Activity 9.1 Sticking to a winning strategy for too long**

1. Identify an organisation you are familiar with that stuck to its winning strategy for too long and failed to adapt. Use one or more of the frameworks outlined above to explain why organisations sometimes stick to winning strategies for too long.

2. Consider your own practice. Which of the biases in the list from Vermeulen and Sivanathan (2017) might give you an inclination to 'persist with winning strategies'

Answers to Activity 9.1

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EXAMPLE: PEPSICO

Implementation is difficult. It's challenging for well-established organisations to shift to be more focused on long-term sustainability and less on short-term profitability. Reading 9.1 provides an example of the substantial transformation at PepsiCo to "become a better corporate citizen", written by the CEO at that time – Indra Nooyi. The PepsiCo program called "performance with purpose" aimed to put environmental goals and customer and employee well-being on par with financial goals.

Please read the article and complete Activity 9.2 to reflect on the example of PepsiCo.

▮ Reading 9.1

Nooyi, I K & Govindarajan, V 2020, **'Becoming a better corporate citizen: How PepsiCo moved toward a healthier future'**, *Harvard Business Review*, vol. 98, no. 2, pp. 94–103.

▮ Activity 9.2 Example: PepsiCo

1. In what ways, did PepsiCo have a prior winning strategy and strategic rigidities, and why did this make it hard to implement the "performance with purpose" program?

2. What tactics did PepsiCo use?

INNOVATION, STRATEGIC LEARNING AND THE LEARNING ORGANISATION

Let's look at implementation themes using frameworks about knowledge and learning. A persistent challenge for sustained effectiveness resides in knowledge. Dretske (1981, p. 86) says, "knowledge is identified with information-produced (or sustained) belief but the information a person receives is relative to what he or she already knows about the possibilities at the source". So, knowledge is relative to belief and sense-making – and this is important to keep in mind for our discussion of strategy implementation. Strategies are by their nature abstractions that take on form and concreteness when they are implemented.

According to a knowledge-based view of strategy, organisations are communities of knowledge and innovation that constantly create, transfer and transform knowledge into a sustainable competitive advantage. Performance differences between organisations derive from their differing stocks of knowledge and capabilities in using and applying that knowledge. We note that organisational performance has a systematic link to how organisations categorise and interpret knowledge, experience and information.

Aiming to increase transparency and inclusion regarding strategic issues, involving both internal and external stakeholders means that more strategic information is available to an organisation, giving more people the ability to engage in a strategic conversation. This mindset on strategy creates a variety of benefits for increasing effectiveness, such as greater creativity and increased commitment, and a vehicle for strategic learning. As a knowledge-based

approach to facilitating strategy, learning promotes a way to develop the internal features of implementation. In this way, knowledge processes can be a sustainable source of competitive advantage, because they integrate an understanding and belief of strategy and translate its parts into action.

STRATEGIC LEARNING

To fit a changing environment, organisations must change. So, as strategists, we must try to foster strategic learning and strategic understanding in ourselves and our people. Strategic learning refers to those learning behaviours and processes that facilitate and support future strategic initiatives. Knowledge of core capabilities enables organisations to seek and use competencies in order to become effective. Strategic learning and understanding generate differences in organisational performance and affect long-run adaptive capability, assisting firms to realise performance advantages in competitive markets.

Strategic learning is a way to foster knowledge that can then lead to insights into the organisation's performance. We are seeking to develop the long-run adaptive capability that is key to strategic renewal and competitiveness. Using 'learning' frameworks enables us to gain insights into how organisations can acquire, interpret, distribute and enculturate knowledge to facilitate competitive distinction.

THE LEARNING ORGANISATION

In earlier Units, we defined the learning organisation as an organisational structure that supports an organisation's capacity to adapt and change continuously. Employees share and apply knowledge, and the organisation has the ability to learn. Peter Senge first popularised the term in his book *The fifth discipline: The art & practice of the learning organisation during the 1990s*. Senge defined a learning organisation as one "where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning to see the whole together". Senge's ideas are still relevant to frame our ideas about what a learning organisation is, and we can consider the implications for today's organisations.

Key themes we can draw from Senge's concept of a learning organisation are given below:

- A learning organisation is an organisation where adaptative and

generative learning is the norm. In these organisations, employees are motivated to think creatively and work collaboratively.

- Learning organisations tend to be more agile in fluctuating market conditions. They also tend to display a more inclusive company culture.

- A learning organisation is typically characterised by five disciplines: systems thinking, personal mastery, mental models, knowledge sharing and shared vision. Each helps foster continuous learning, improvement and collaboration. Therefore, to develop learning, the organisation should focus on developing those five disciplines.

LEARNING ISN'T ABOUT TRAINING ANYMORE

Let's consider a framework to help with the practical implementation of learning within an organisation. Reading 9.2 proposes an interesting study of how to develop learning throughout the organisation for effective transformation. It can be contrasted to earlier models of the learning organisation. Please read the article and complete Activity 9.3 by putting your responses in the space below.

Reading 9.2

Lundberg, A & Westerman, G 2020, **'The transformer CLO: The role of chief learning officer isn't about training anymore'**, *Harvard Business Review*, vol. 98, no. 1, pp. 84–93.

Activity 9.3 Reflection on organisational learning

1. Do you agree with the proposals by Lundberg and Westman about learning goals, learning methods and organisational design? Explain your point of view.

2. What can you do to introduce more learning into your own organisation or personal practice?

Answers to Activity 9.3

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ETHICAL FRAMEWORK APPLICATION

We now consider some of the ethical considerations and issues in the practical application of two areas of strategy implementation – digital technologies and climate change. These are two areas of high importance for strategy implementation (the board and management need to know that strategies are implemented effectively!). Also, strategists might find it useful to draw on our themes of escalation of commitment and learning. This is a good opportunity to refresh your knowledge of those ethical frameworks from earlier Units.

DATA AND DIGITAL TECHNOLOGIES – BLOCKCHAIN

New digital technologies provide new opportunities and challenges for strategy implementation. Professor Vishal Gaur of Cornell and Abhinav Gaiha Product Manager at Google, highlight one important practical application in their article 'Building a transparent supply chain'. Gaur and Gaiha (2020) say that visibility remains a challenge in large supply chains involving complex transactions. Our current approaches for supply chain information sharing have advanced markedly since the 1990s, led by companies such as Walmart and Procter & Gamble using enterprise resource planning (ERP) systems. But, while current approaches to recording the flows of information, inventory and money in supply chain transitions have seen considerable advancement, there are still significant blind spots causing problems for the purchasers, suppliers and banks involved. Audits are helpful, and indeed sometimes necessary (for instance to ensure compliance with contracts). Execution errors are often impossible to detect in real time.

Gaur and Gaiha (2020) discuss blockchain as a technology that may help eliminate those blind spots. Blockchain is the digital record-keeping technology behind Bitcoin and other cryptocurrency networks and "is a potential game changer in the financial world" (2020, p. 96). A blockchain is a distributed or decentralised ledger – a digital system for recording transactions among multiple parties in a verifiable and tamperproof way. You might be aware of the features of a cryptocurrency – the number of parties can be unlimited, the parties can retain anonymity, transactions can be private and secure, and transactions do not require a central intermediary. However, this is turned on its head when using blockchain for supply chains: "For supply chains, it is to allow a limited number of known parties to protect their business operations against malicious actors while supporting better performance" (2020, p. 97). The authors studied seven large US corporations, including Walmart and IBM. Early explorations by these seven major corporations show there are benefits. Blockchain record keeping can make product delivery faster and more cost-efficient; it can increase traceability, enhance coordination among partners and streamline the financing process.

For strategy implementation, much is needed for the successful use of blockchain in supply chain management. It requires a trusted group of permissioned participants, a new consensus protocol, and protection to prevent the introduction of contaminated or counterfeit products. It requires new standards for representing transactions on a block and new rules to govern the system. These are being developed. The authors conclude that in the long-term, blockchain could pay big dividends for organisations in a range of industries.

DATA AND DIGITAL TECHNOLOGIES – DATA ANALYTICS

While culture is critical for organisational success, how easy is it to define and measure culture? Corritore, Goldberg and Srivastava (2020) provide a practical example of data analytics that profoundly impacts the implementation of strategy. Traditional measures of culture research (employee surveys and questionnaires) are often unreliable because they are affected by bias. They are static snapshots of organisations that are constantly evolving. Corritore et al say, "Culture is easy to sense but difficult to measure" (2020, p. 79).

The authors used a new approach to gather data on culture – they used readily available products to analyse the language employees used in electronic communications, including emails, Slack messages and Glassdoor postings. Their studies focused on cultural fit versus adaptability, the benefits of not fitting in, cognitive diversity and the effects of cultural diversity on

organisational performance. The authors used the term 'cultural diversity' to refer to variations in people's beliefs and normative expectations, regardless of their demographic composition. Using data analytics gave findings that challenge the "prevailing wisdom about culture" (2020, p. 79):

- Cultural fit is important but what predicts success most is the rate at which employees adapt as organisational culture changes.

- Cognitive diversity helps teams during ideation but hinders execution.

- The best cultures encourage diversity to drive innovation but are anchored by shared core beliefs. Organisations must be able to resolve the trade-off between efficiency and innovation by encouraging diverse cultural ideas, while fostering employee agreement about a common set of organisational norms or beliefs.

Corritore et al (2020) propose implications for practice to improve the performance of employees, teams and the broader organisation. Managers can increase retention by hiring candidates whose core values and beliefs about a desirable workplace align well with those of current employees but they should not over-focus on cultural fit, as this might cause them to overlook candidates with cultural adaptability and unique perspectives. Leaders must manage the expression of diverse perspectives and be able to switch back and forth between planning/ideation (which requires diverse ideas) and execution to meet deadlines (when teams need to unify around a common interpretation of the problem and solution). Leaders should foster a multicultural environment that is diverse yet consensual to foster both innovation and efficiency. For instance, encourage employees to experiment with different ways of working and also agree on a common set of cultural norms so that employees can coordinate.

You might relate to the situation where there are many readily available tools that are useful to solve practical organisational challenges. This ease of access also raises important ethical concerns. Despite the ethical questions, the authors believe the tools will continue to generate insights that allow managers to "finally manage the culture as a strategic resource, and ultimately lead to more culturally diverse and inclusive teams and organizations" (2020, p. 83). They provide some tips for implementation:

> In our work, we maintain strict employee confidentiality, meaning that neither we nor the organization is able to link any employee to any specific communication used in our studies. We also strongly advise against using these tools to select, reward, or punish individual employees and teams for at least four reasons: Accurately predicting individual and team performance is considerably more challenging than estimating average effects for broad

types of individuals and teams; culture is only one of many factors influencing individual and team performance in organisations; algorithmic predictions often create a false sense of certainty in mangers; and finally, given any algorithm undue weight can have unintended consequences – for instance, exacerbating human biases that negatively affect women and members of underrepresented social groups.

Algorithms make estimates, but it is ultimately human's responsibility to make informed judgements using them. Managers must be vigilant about keeping metadata anonymous and must regularly audit algorithmic decision-making for bias to ensure that the use of language-based tools does not have unintended adverse consequences on culture itself – for instance, by breeding employee distrust.

(Corritore et al 2020, p. 83).

Please complete Activity 9.4 using data and digital technologies that are relevant to your own organisation, situation or experience.

Activity 9.4 Digital technologies and strategy implementation

1. What data and digital technologies are used in your organisation or your own practice? Do you think these are appropriate – why or why not?

2. What opportunities and risks are there for using data and digital technologies to enhance innovation, learning and strategy implementation?

Answers to Activity 9.4

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ETHICAL DILEMMA – DATA AND DIGITAL TECHNOLOGIES

Please complete Activity 9.5 about the ethical considerations of data and new technologies.

Activity 9.5 Data and new technologies - ethical dilemma

Dilemma: your organisation has the strategy, skills and funding to implement new technology with the capacity to enhance organisational performance by improving supply chain efficiency, transparency and responsiveness – while also having the capacity to link data to specific actors.

1. Apply one of the ethical frameworks from this course to identify some key ethical considerations for your decision-making and strategising.

2. Do your thoughts and considerations change if this technology is focused on employee culture and social interactions (instead of supply)? Why or why not? In what ways?

Answers to Activity 9.5

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ETHICAL DILEMMA – CLIMATE ACTION

Let's consider another area of importance for effective strategy implementation – climate action. Effective implementation and consideration through ethical frameworks can assist to avoid greenwashing. Note how the escalation of commitment can make the effective strategy delivery of climate actions a challenge. Please watch the short video to provoke critical thinking about climate action and ethical considerations.

Video 9.1

Harvard Business Review 2020, **'What if helping the environment isn't profitable for my business?'**, 25 January [1:17].

HBR BIG IDEA:
Tough business questions about the climate crisis
#1 Profitable

Activity 9.6 Climate change ethical dilemma

'What if helping the environment isn't profitable for my organisation?'

1. Apply one of the ethical frameworks from this course to answer the question above.

2. What do you learn from this exercise which is useful for your own practice and agency?

Answers to Activity 9.6

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ACHIEVING SUSTAINED ORGANISATIONAL EFFECTIVENESS

We now seek to bring together many of the concepts from this Unit and from earlier in the course to integrate them and apply them to examples. You will recall Lawler III & Worley's tests for sustained organisational effectiveness: (2011, pp. 6–7):

- Does the organisation generate sustainable outcomes and act responsibly towards all stakeholders?

- Can the organisation sustain effectiveness over time?

The strategy process is about the difficult questions of how strategies are formed, implemented and changed. Often there is a disconnect between the expected outcome from the process of generating a strategy and the outcome that emerges in practice. This implementation gap is part of our context for sustained strategic effectiveness. For our purposes, the key word is 'sustained': a consistent performance over a long time.

A basic premise of the balanced scorecard approach is that organisations jeopardise their future performance possibilities when financial controls are emphasised at the expense of strategic controls. Effectiveness, thereby, relates to this balance between process, performance and outcomes in strategy making. In this way, we assert effectiveness as a far more holistic perspective on implementing strategy.

If you pick up any book on strategy or strategy processes, you will find much discussion and data on competitiveness and competitive advantage, purpose and strategic management. All of these focus on setting in place strategic actions to achieve market leadership, above-average returns and integrated performance. But for our purposes, it is the sustained aspect that is key. That is the sustainable value that strategy draws on, assuming that it refers to consistent performance over a long period of time. Mohrman and Lawler III discuss why we should consider sustainability in the context of strategy. Their work challenges us to design organisations for a broader definition of effectiveness than simply measuring money. Armed with their insights, we understand that making strategy will become more complex in a more complex environment.

Watching Video 4.1 by Susan Albers Mohrman and Chris Worley about organisation design capability could be a great refresher at this stage. Bringing this all together, in their 2014 paper, Mohrman and Lawler III integrate many of the themes we have discussed in this course. The paper makes some excellent points about organisational design for sustainable effectiveness.

The paper makes many good points and is also a good summary that integrates many points and themes from earlier in this course. The key points are summarised below. If you are interested and have the time to read the paper in full, details for this paper are in the References at the end of this unit.

Abstract *Mohrman and Lawler III (2014, p. 14)*
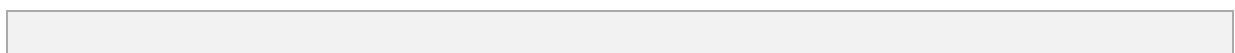
Purpose – The purpose of this paper is to examine design features that enable an organisation to address today's complex and increasingly pressing global issues in ways that are sustainably effective. It identifies key social and environmental issues and reviews research examining how organisations can respond to them.

Findings – There is a significant knowledge gap about how organisations can perform in sustainably effective ways. The globalisation of business, increased stakeholder expectations, and environmental issues have created major challenges for corporations. Research that focuses on creating a sustainable future is needed.

Practical implications – Leaders need to help their organisation envision new strategies and purposes, and companies will have to develop new capabilities and fundamentally alter their designs.

The authors argue that new approaches to strategy implementation are needed. Previous corporate approaches of philanthropy or "bolted on" social responsibility did not require any change in firm operations and they were not enough: "There is an emerging agreement that this is not an adequate corporate response and that in order to be sustainably effective in the changing landscape, corporations need to embed sustainability in their strategies and operations, and that doing this requires adopting new approaches to how they organize and manage" (2014, p. 15).

The paper notes the market shift bringing ecological and social sustainability to the centre of corporate strategy and business fundamentals. This change is driven by "three forces" (2014, p. 15):

- the impact of declining resources on the security of the value chain
- transparency that has opened companies' performance in these areas to global scrutiny
- increasing expectations by customers and other stakeholders.

Strategy implementation must integrate all three. As profit, ecological and social considerations are integrated into a single value-creation space, then new opportunities emerge: "This opens up significant market opportunities to

companies that align their strategies and operations with this new market reality" (2014, p. 15).

THE ORGANISATIONAL DESIGN CHALLENGE

Mohrman and Lawler III (2014, p. 23) discuss the impact for how organisations are designed.

> There will not be one best approach to achieve sustainable effectiveness, but rather, a set of principles will underlie the transition. Healthy systems require diversity. Different organizations face different sustainability challenges and opportunities to impact the sustainability of their contexts.
>
> (Mohrman & Lawler III 2014, p. 23).

The paper gives the following organisational design principles for effective implementation:

1. Organisations need to **develop four dynamic capabilities** to deliver sustainable value:

   - managing ecologically and socially efficient supply chains

   - designing, developing, implementing, and disseminating innovations that radically decrease the negative impact on the natural and social environment and substantially increase the positive impact

- participating in a network of activities in order to do the first three
- managing continual change.

2. Organisations need to **deliberately develop structures and processes aligned to the organisation's purposes and strategies**. You will recall the Galbraith star model (1994), showing how organisations can best implement strategy when the elements of organisation design framework of fit reinforce each other. Thus, sustainable value cannot be 'bolted on', nor peripheral to the core business, nor can this be led by temporary project teams. The development of the capacity for sustainable effectiveness must be embedded into the business units, and integrated in the way the firm operates and performs. "Social and environmental responsibility must be integrated into all aspects of the organization to yield business decision making of organizations to support the growth, innovation, cost reduction, and differentiation required for economic viability while simultaneously achieving sustainability goals" (2014, p. 23). In practice, this means that the implementation of sustainable value strategies must be tailored to the organisation by leveraging the organisation's core competencies and achieving fit with the strategic areas for the best position.

3. **Focusing on multiple stakeholder outcomes, there are six common structures and processes** that support the strategy, work processes and capabilities for effective strategy implementation:

- carefully designed linkages to the corporation's stakeholders: those who made the firm, those who contribute to its success, and those who bear its consequences (Freeman et al 2010)
- structures and processes to enable dynamic integration across functions and organisations to enable life-cycle product and service sustainability.
- governance mechanisms to develop a shared value proposition.
- network connections to other actors in the eco-system for knowledge sharing and action collaboration to solve complex problems.
- robust environmental sensing mechanisms to guide ongoing reconfiguration of the activities in the organisation system and eco-system for more sustainable performance.
- robust management processes that enable these structural and work

process elements to accomplish sustainability purposes, including processes for establishing strategies and aligning goals and direction, metrics and reporting, accountabilities throughout the organisation, decision-making norms and processes, and communication.

4. Finally, make sure to consider **six design elements**:

   - Strategy

   - Metrics and reporting

   - Participative planning

   - Decision-making

   - Communication and information sharing

   - People processes and reward systems

Examples:

It's useful to be able to relate these to practical examples. Mohrman and Lawler III (2014, p. 24) provide three short organisation design examples – GE, IBM and Intel:

> GE's "eco-imagination" strategy is aimed at having a dramatic impact on the global consumption of electricity through the development of innovative products. Developing innovative products is the company's core capability, and the company is integrating the sustainability focus in this arena. Radically decreasing electrical consumption must become a major focus in the design of its products. GE, therefore, must design itself with structures and lateral connections that bring a constant stream of sustainability-related innovative ideas into its product divisions. They must generate new knowledge, achieve the cross-functional collaboration required to develop and commercialize innovative products to achieve that strategy in dramatically different market contexts and build and motivate the talent to do this well.

> In contrast, IBM's smart planet focus builds on its core competencies of technology and consulting and aims to provide solutions to its customers' context-specific sustainability problems. For cities, this may include the reduction of congestion, crime, and energy use in large urban areas. Its various customers have different needs and criteria for effective service depending on their own industry and where their greatest social, financial and ecological sustainability challenges and opportunities lie. IBM's core work processes involve the development of tailored systems that combine knowledge and perspectives from across its technology groups, from the industries it serves, and from many partner and stakeholder groups – and operate in tight connection to clients and their business and effectiveness models. IBM has to design structures, linkages, and processes to bring these many perspectives together flexibly and develop human resource management practices that develop the competencies for successful multi-functional and multi-stakeholder collaboration.

> Intel aims to dramatically reduce energy and water consumption through continual innovation and optimization of its product and process technologies and its work processes such as the fabrication of chips by creating closed loop

manufacturing processes. It designs around technical tasks and process connections needed to make its products and its processes more resource effective. It organizes around, develops and rewards highly focussed advanced technical skills and achievements, and the generation and combination of knowledge to continually improve product and process sustainability.

In summary, the authors conclude that change is system-wide, nonlinear and uncertain. Organisations need to change and scale up for global impact, against a burgeoning population and global economy. The landscape is difficult to predict and navigate and impossible to control, due to increasing complexity related to global interconnectedness and rapid change. So, we need new organising approaches that incorporate the environmental and social impacts of human activity into the operating values and logic of organisation and communities. The actions taken and decisions made today must prepare for an uncertain future. Achieving sustained organisational effectiveness "requires agility informed by frameworks of thought and action in which actors see themselves as contributing to, operating within, and dependent on the larger systems of which they are part, and take future scenarios into account while acting in the present" (2014, p. 31). Organisations and research will need to change to address this broadened understanding of their roles and to develop knowledge to support the change.

HOW SUSTAINABILITY EFFORTS FALL APART

Please read the article by Farri, Cervini and Rosani (2022) about sustainable business practices and how sustainability efforts fall apart.

🟨 Reading 9.3

Farri, E, Cervini, P & Rosani, G 2022, **'How sustainability efforts fall apart'**, *Harvard Business Review*.

🟨 Activity 9.8 Sustainability efforts

1. There are different examples of sustainability efforts in the article by Mohrman and Lawler III (2014) and in Reading 9.3. Why do you think that some worked, and some fell apart?

2. In your experience, which of the points of failure have you observed? Are there some useful lessons to take from this that you can incorporate into

your own practice?

Answers to Activity 9.8

[Save to Notebook]

PRACTICAL APPLICATION

Your facilitator will provide further details about activities for the practical application of the concepts and frameworks from Unit 9.

KEY TAKEAWAYS

- Success can become a source of risk.
  - Organisations sometimes stick to winning strategies for too long.
  - Escalation of commitment refers to the tendency of decision-makers to rationalise and persist with a course of action, usually continuing to invest in a failing cause in proving that the original choice and investment were sound.
  - Over time, strengths can become weaknesses; core capabilities can become strategic rigidities.
- Various frameworks and writers will assist in the incorporation of innovation and strategic learning into our organisations.
- Apply ethical frameworks to consider a range of perspectives; for instance, ethical dilemmas for strategy implementation, such as climate action and digital technologies.
- We have integrated previous frameworks into a discussion of how organisations achieve a goal of sustained organisational effectiveness,

considering the key capabilities and challenges, and why sustainability efforts often fail. We can use this understanding to make recommendations for strategy implementation.

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UNIT

10

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RENEWAL, DECISION-MAKING AND ALIGNMENT WITH PURPOSE

> Prescribed readings are placed in context within the Units of this eBook, but they are not linked in this eBook. **Links to all of the prescribed readings referred to in this eBook are available to you in your Moodle class site - please see the link to your Leganto Reading List.** Please go to that reading list as you begin engaging with these materials and download all the readings for your easy and ongoing access as you work through this eBook.

INTRODUCTION

Short Story 10.1 (practical application):

Please read Short Story 10.1 (practical application). On page 67, the short story from the Chairman of Iberdrola is a good introduction to the topics we cover in this Unit such as sustainability reporting and creating a sustainable business model.

Topics in the news: News 10.1.

Please read the topics in the news: News 10.1. This is a very short article to prompt thought and discussion on the importance of strategy implementation (the delivery of what our strategy says we will) and this links to our discussion of responsible management.

INTRODUCTION TO THE FINAL UNIT

Strategy is intertwined. Formulation and implementation are a complex interactive process in which values, context, politics and culture determine or constrain a particular strategy. In a section on critical thinking in Unit 1, we established a foundation theme – the importance of the mindset or frame of reference adopted. Other texts on strategy try to explain the firm and the environment it operates in, presenting strategy as a problem/solution model. Throughout the course, we have adopted an alternate view that there is no one best way to strategise or implement strategy, and no prescription works for all organisations. Even when one prescriptive device seems effective in one context, it requires deep understanding and insight, a consideration of its context and basis, are and how it functions. In Unit 10, we return to these themes. Effective strategy emerges and develops from demonstrated patterns of decision-making, thinking and action (whether strategists are aware of this or not). Implementing strategy is informed by an integrated system and set of strategic behaviours.

Unit 10 highlights the value of recognising how our processes, cognitive biases, behaviour and tools shape the strategy of the firm. For our purposes, understanding the role of strategists and their behaviour, cognitive biases and subjectivity helps enrich a fuller 'purpose' to strategy implementation, understanding that there are many ways to strategise. Our understanding of strategy implementation is something we continue to develop throughout our careers.

▮ Activity 10.1 Reflection

1. What was your view of 'implementing strategy' before you began this course? In what ways has your view developed or changed over the past weeks as you participated in this course?

(You might find it useful to compare your answers to the activity with your answers to activities you completed at the start of Unit 1.)

Answers to Activity 10.1

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THE RATIONALE FOR THIS WEEK'S TOPIC

In this final integrative Unit, we consider the importance of strategic renewal. The themes in Unit 10 are important to support good governance. We examine reporting, OKRs and decision-making – so you have frameworks to deliver sustainable outcomes effectively and provide a more compelling case to your board and stakeholders.

The Unit applies concepts to contemporary examples, including greenwashing and cyber security. Our concepts can be applied to the UN SDGs. Organisations are taking notice of a legal decision in the Netherlands against Royal Shell. We include this case for you as an opportunity to explore the implications and develop broader lessons.

COURSE LEARNING OUTCOMES (CLOS)

This Unit links to the following Course Learning Outcomes:

1. Describe and critically analyse strategy implementation for an organisation, through the application of various concepts, theories and frameworks.

2. Identify and analyse responsible management issues relevant to strategy implementation.

3. Analyse the complex issues for organisations implementing strategy in dynamic environments.

4. Apply various concepts and frameworks to make recommendations and improve strategy implementation.

5. Critically analyse some key contemporary

UNIT OBJECTIVES

After completing this Unit, you should be able to:

- apply frameworks to propose approaches for strategic renewal
- critique and apply methods for aligning strategy and business purpose – including OKRs, strategy-as-practice and creating a sustainable business-model
- explain how decision-making influences strategy and make recommendations to improve strategic decision-making
- apply frameworks to improve strategy implementation, including greenwashing and cyber security
- apply frameworks to five of the UN SDGs
- apply frameworks to case studies and your own practice for strategic renewal.

SECTION HEADINGS

- Strategic renewal
- Aligning strategy and purpose
- Decision-making
- Contemporary examples
- Reflection on UN Sustainable Development Goals
- Practical application: Case Study 10.1

STRATEGIC RENEWAL

What happens when the strategy must be changed? Transforming strategy can be challenging – such as trying to make a major change in the direction of a large object when it already has momentum. Commonly used phrases such as "turning the ship around" recognise the degree of difficulty.

For strategy implementation, we refer to '**strategic urgency'**. As an

organisation strives to be competitively different over time, we should continuously question the organisation's direction, its systems and its effectiveness.

The task of **re-evaluation** never stops. As we implement, we should persistently question the path adopted. We might consider prospective questions on decisions to reframe strategy before it is needed, and emphase the place of subjectivity in questioning strategy moves.

There are choices about how to re-evaluate strategy.

1. Strategy has an objective character that shapes the process, or

2. Strategy has a subjective character and is an evolving interpretation.

Each of these mindsets has its own advantages and insights. We can look at the relative advantages and disadvantages of methods for evaluating implementing strategy.

Strategic renewal is proactive corporate transformation before a crisis hits. Reading 10.1 suggests that senior management can initiate major transformations proactively by building strategy, experimentation and execution into the day-to-day fabric of the organisation. Please complete this reading before you complete Activity 10.2.

■ Reading 10.1

Binns, A, Harreld, J B, O'Reilly, C & Tushman, M L 2014, **'The art of strategic renewal'**, *MIT Sloan Management Review*, vol. 55, no. 2, pp. 21–23.

■ Activity 10.2 Strategic renewal

Strategic renewal takes guile. After all, the corporate immune response is extremely powerful: leaders find it much easier to resist change than to embrace it. Strategic renewal acknowledges this: it is about "both, and" rather than "either, or" (Binns et al 2014, p. 23)

1. Do you agree with this statement? Why or why not?

2. The article discusses five practical principles in the strategic renewal playbook – to enable leaders to build a bridge to the future without burning the bridges from the past. Identify ways in which you could

apply all or some of these principles in your own organisation or practice.

Answers to Activity 10.2

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ALIGNING STRATEGY AND PURPOSE

In this section, we will explore aligning strategy with purpose. In some ways, this is a return to the themes from Units 1 and 2 when we discussed organisational purpose, mission and the shared value framework. You also might make links to many other frameworks we discussed throughout this course. We will look at how strategy choices are converted into outcomes and discuss a range of methods for aligning strategy and business purposes.

JOHN DOERR ON OKRS AND MEASURING WHAT MATTERS

Let's start this section with a story given in the box below.

In 1999, a venture capitalist went to a small HQ in Silicon Valley to visit two Stanford grad school dropouts, Larry Page and Sergey Brin, the founders of a small tech company with forty employees. He had just "taken the biggest bet of my career" by investing almost $12 million in their startup, which had "amazing technology, entrepreneurial energy and sky-high ambitions, but no real business plan". He introduced the founders to OKRs, a revolutionary approach to goal setting, that he had learned at Andy Grove's Intel. With OKRs at the foundation of their management, the Silicon Valley startup grew to more than 70,000 employees with a market cap exceeding $700 billion.

> The startup was Google. The venture capitalist was John Doerr.

The following information is based on John Doerr's *book Measure what matters* (2017). Since his first visit to Google, John Doerr has introduced OKRs to more than fifty companies, from tech giants to charities, helping them to exceed all expectations. He claims that OKRs focus effort, foster coordination and enhance workplace satisfaction. They surface an organisation's most important work as everyone's goals from entry-level to CEO are transparent to the entire institution.

OKRs stands for objectives and key results.

OBJECTIVE: WHAT is to be achieved? Objectives are significant, concrete, action-oriented and (ideally) inspirational.

KEY RESULTS: benchmark and monitor HOW we get to the objectives. Effective KRs are specific and time-bound, aggressive, yet realistic, measurable and verifiable.

There are four OKR 'superpowers' – focus, align, track and stretch.

Superpower 1: focus and commit to priorities

High-performance organisations home in on work that's important and are clear on what doesn't matter. OKRs force leaders to make hard choices, communicate clearly and dispel confusion.

Superpower 2: Align and connect

Everyone's goals from the CEO down are openly shared, transparent and have top-down alignment (linked to the organisation's plan). This enables them to identify cross-dependencies and coordinate with others. It deepens ownership, engagement and innovation.

Superpower 3: Track for accountability

There are periodic check-ins, objective grading and continuous reassessment of data – with a culture of no-judgement accountability. If a key result is 'endangered', it triggers action to get it back on track or to revise or replace it if warranted.

Superpower 4: Stretch for amazing

OKRs motivate us to excel by doing more than we'd thought would be possible. By testing our limits and affording the freedom to fail, they release our most creative and ambitious selves.

Example:

It might be useful to look at an example, such as the OKRs developed by the Gates Foundation, a global organisation with huge aspirations. Bill Gates said that the task of 'eradicating' won't be easy, but with OKRs, his team is tracking what matters.

Objective: Global eradication of malaria by 2040.

Key Results:

1. Prove to the world that a radical cure-based approach can lead to regional elimination.

2. Prepare for scale-up by creating the necessary tools – SERCAP (single exposure radical cure and prophylaxis) diagnostic.

3. Sustain current global progress to ensure the environment is conducive to the eradication push.

Vide 10.1 suggests where the two mindsets sit:

- highlighting goals (objective) and

- questioning what these goals are (subjective).
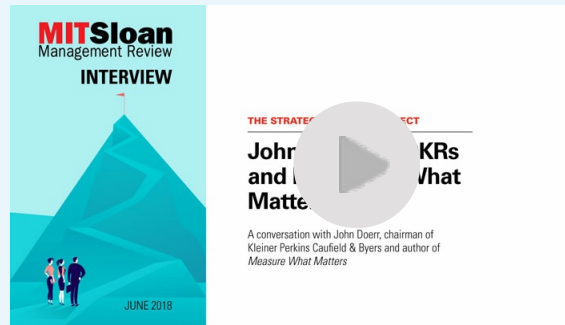

🟨 **Video 10.1**

TED 2018, **'Why the secret to success is setting the right goals'**, [11:42].

We encourage you to watch Video 10.2 (optional) if you would like to learn more.

BEHAVIOUR AS STRATEGY: STRATEGY-AS-PRACTICE

During your studies, you have been exposed to a number of tools on strategy (frameworks, concepts, models or methods) and should now understand what makes a firm competitive. These tools assume that you can learn both the 'why' and 'how' of strategy-making. At the heart of this outlook is the view that strategists use tools in a rational process of strategising. Strategists use these tools to support their analyses and evaluate their strategic choices and options. Yet a gap exists between strategy tools and the understanding of the actors who engage with these tools.

So, another approach is to look at the effect of behavioural strategy on implementation. Strategy implementation reflects subjective mindsets, biases and behaviours that need to be realised or acknowledged (but not necessarily challenged). 'Strategy-as-practice' offers an alternative – a practical path in strategy making with its focus on the effectiveness of strategists rather than just the organisation.

Strategy-as-practice is an applied approach to a strategy focused on micro-level social activities, processes and practices that characterise strategising: how strategists go about making strategy and how these practices contribute to creating strategy. This outlook provides an organisation-level perspective on strategic decision-making. It's based on the theory of how strategy tools should be used and how strategists end up using these tools. Strategy-as-practice recognises the need to consider strategy tools, and also the people

implementing strategy and their everyday activities. This approach asks questions such as: "What do people do in relation to strategy? How does this behaviour influence and how is it influenced by their organisational and institutional context?'.

Strategy, according to this view, is not something that an organisation has but something its members do. Strategising refers to the 'doing of strategy'. That is the construction of this flow of activity through the actions and interactions of multiple actors and the practices that they draw upon (Jarzabkowski, Balogun & Seidl 2007).

Strategy-as-practice is interested in the activities that constitute strategy making. It is concerned with the effectiveness of strategists, rather than just of organisations. At its source, the turn towards practices in strategy echoes an increased interest in human practices in the social sciences and, more recently, in organisational and management research.

Strategy-as-practice responds to calls for more work on the minutiae of organisational life and the practices that constitute them. It is intended to move away from concepts and techniques and refocus our attention on the actor – the strategist – to understand the practice and activities of strategising.

CREATING A SUSTAINABLE BUSINESS-MODEL

Mark Kramer and Marc Pfitzer (2022) bring us back to the concept of shared value, which we discussed earlier in the course, in their article 'The essential link between ESG targets and financial performance'. Although there has been much stronger attention paid to environmental, social and governance (ESG) issues, very few companies are making meaningful progress in delivering on their ESG commitments. Most firms are not integrating ESG factors into internal strategy and operational decisions and are giving investors little to no explanation of the impact of ESG performance on corporate earnings.

So, how do we build a sustainable business model? The authors say that we need to focus on shared value and the economics of impact. Kramer and Pfitzer (2022) propose organisations take these steps to integrate ESG efforts into their core business-models:

1. Identify the ESG material issues for the organisation. For instance, the International Sustainability Standards Board has a listing of material ESG issues by industry, defined as "those governance, sustainability or societal factors likely to affect the financial condition or operating

performance of businesses within a specific sector".

2. Factor in ESG effects when making strategic, financial and operational decisions:

   - Focus on the strategy, not on reporting. Rather than reacting, look for bold opportunities and ask how you can reinvent your business model to create shared value and societal benefits.

   - Optimise the impact intensity of profits. By this, they are referring to "the relationships between a company's profits and its most important positive or negative effect on ESG issues" (2022, p. 134). Change decision-making processes from the traditional focus on financial returns to a more sophisticated analysis that includes social and environmental consequences. Do this throughout the company, and apply this in product design, product access and operational footprint.

3. Collaborate with stakeholders to avoid trade-offs between profit and societal benefit.

4. Redesign organisational roles and structures. If ESG criteria are to be integrated into key decisions, then people with sustainability expertise need to be at the table when strategic and operational decisions are made.

5. Communicate with investors about your new approach for improving the impact intensity of profits commitments to achieving specific goals and report publicly on progress.

◼ Activity 10.3 Aligning strategy with purpose

1. We have discussed three very different techniques for aligning strategy and purpose. Which aspects of those techniques will you incorporate into your own practice, and why are those especially useful for you?

Answers to Activity 10.3

DECISION-MAKING

Implementing strategy starts and ends with decision-making. Decision-making is the foundation of implementation. This understanding is intrinsic to the past ten weeks. At its simplest, strategy-making asks the strategists a simple question: **where do you want to go and how are you going to get there?** Considering these questions with a focus on judgement, decision-making and the decision-maker enables us to bring together the elements introduced in this course.

In Reading 10.2 (optional), Sir Andrew Likierman, a Professor at London Business School discusses how to improve decision-making. He interviewed CEOs and leaders and identified the 'six basic components of good judgement'.

Reading 10.2 (Optional)

Likierman, A 2020, **'The elements of good judgement'**, *Harvard Business Review*, January-February, pp. 102–111.

Daniel Kahneman is a Nobel laureate and author who writes about decision-making. Reading 10.3 is a thoughtful and practical article about how to help other people avoid biases. As the article says of biases: talking alone will not eliminate them. In the long run, a senior executive should strive to create a climate where substantive disagreements are seen as a productive part of the decision process (and resolved objectively), rather than as a sign of conflict between individuals (and suppressed). Even highly experienced, superbly competent, and well-intentioned managers are fallible. Organisations need to realise that a disciplined decision-making process, not an individual genius, is the key to a sound strategy. And they will have to create a culture of open debate in which such processes can flourish. If you have time and interest, you might find Reading 10.3 (optional) very valuable in exploring this further.

Although the reading concentrates on individual decision-making, we know from our focus on strategists that implementing strategy is best done based on collective decisions and interactions. Good strategy emerges from a decision process that develops a collective voice and shares information as the strategy unfolds. e.g. ways to minimise bias and how to tell which decisions are strategic (rather than tactical).

Video 10.3 extends our understanding of collective decision-making.

🟨 Video 10.3

TED Studio 2017, **'How can groups make good decisions?'** [8:28].
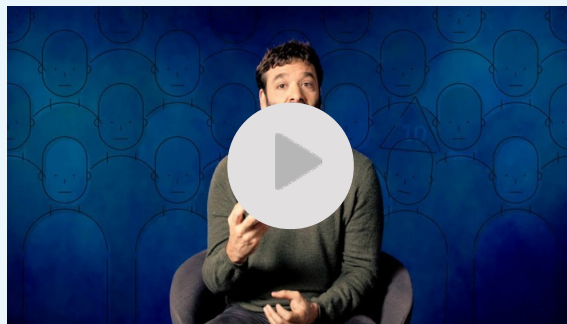
🟨 Activity 10.4 Decision-making

What are the key points you can take from the video and readings which will be useful for you?

Answers to Activity 10.4

CONTEMPORARY EXAMPLES

We will explore these topics by applying them to a contemporary management dilemma. Litigation has recently become a threat to organisations – for example in relation to 'greenwashing' and cyber security breaches. Modern organisations have compelling reasons to make demonstrable claims about sustainability achievements and to continue to implement new digital technologies. Yet, boards of directors will often have a strong interest in knowing that the organisation has the implementation capability to fulfil their director's duties to ensure governance frameworks are implemented.

Activity 10.5 Application to contemporary issues

Look at the topics from Units 9 and 10. What can you apply from the readings and videos in Units 9 and 10? Which topics do you think would be useful if you have a strategic role in an organisation that is concerned to ensure the implementation of suitable governance and strategies to manage the risks of:

1. Greenwashing?

2. Cyber security breaches?

Answers to Activity 10.5

Royal Dutch Shell case study

The global energy firm, traditionally in oil and gas, faced a crisis when the Dutch court ordered Royal Dutch Shell to reduce its greenhouse gas emissions. This is a really useful case to conclude the course with because this is a powerful example of stakeholder activism. It brings together many of the themes from throughout the course about how strategy must move beyond 'strategy on the page' and ESG compliance must be implemented effectively. Please carefully read the case study as you will be asked to reflect on it and share your thoughts in Moodle discussion forums.

Case Study

Chong, A 2021, **Royal Dutch Shell and beyond: Strategizing the future of ESG compliance**, Harvard Business Publishing, HKU Business School and Asia Case Research Centre.

REFLECTION ON UN SUSTAINABLE DEVELOPMENT GOALS

Earlier in the course, we introduced the United Nations Sustainable Development Goals (UN SDGs). An aim of this course has been to include discussion relating to the following UN SDGs

SDG 3 Good Health and Well-being

SDG 7 Affordable and Clean Energy

SDG 8 Decent Work and Economic Growth

SDG 9 Industry, Innovation and Infrastructure

SDG 13 Climate Action.

Activity 10.6 Reflection on UN SDGs

Using at least one concept from earlier Units in this course, identify one key thing you have learned from this course that will help you to progress your own personal practice for each of these UN SDGs. This might be a key learning or insight or something that you plan to put into practice.

1. SDG 3 Good Health and Well-being

2. SDG 7 Affordable and Clean Energy

3. SDG 8 Decent Work and Economic Growth

4. SDG 9 Industry, Innovation and Infrastructure

5. SDG 13 Climate Action

Answers to Activity 10.6

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PRACTICAL APPLICATION

Your facilitator will provide further details about activities for the practical application of the concepts and frameworks from Unit 10.

KEY TAKEAWAYS

- Strategic renewal requires proactive corporate transformation – before a crisis hits.

- We can apply various methods for aligning strategy with the business purpose – such as OKRs, strategy-as-practice and creating a sustainable business-model.

- Models of decision-making are useful because implementing strategy starts and ends with decision-making.

- We can apply our course frameworks to improve strategy implementation.

- We can apply our course frameworks to drive and measure performance against the UN SDGs.

In Part 4 of this course, Units 9–10, we have looked at how we apply strategic implementation frameworks to contemporary examples. In this final part of the course, Part 4, we brought together many of the earlier topics together as we apply strategic implementation frameworks to contemporary examples, and we have examined how organisations can achieve sustained organisational effectiveness and align with purpose. Figure 10.1 gives you an overview of your Implementing Strategy journey.

Figure 10.1 *Overview of the course*
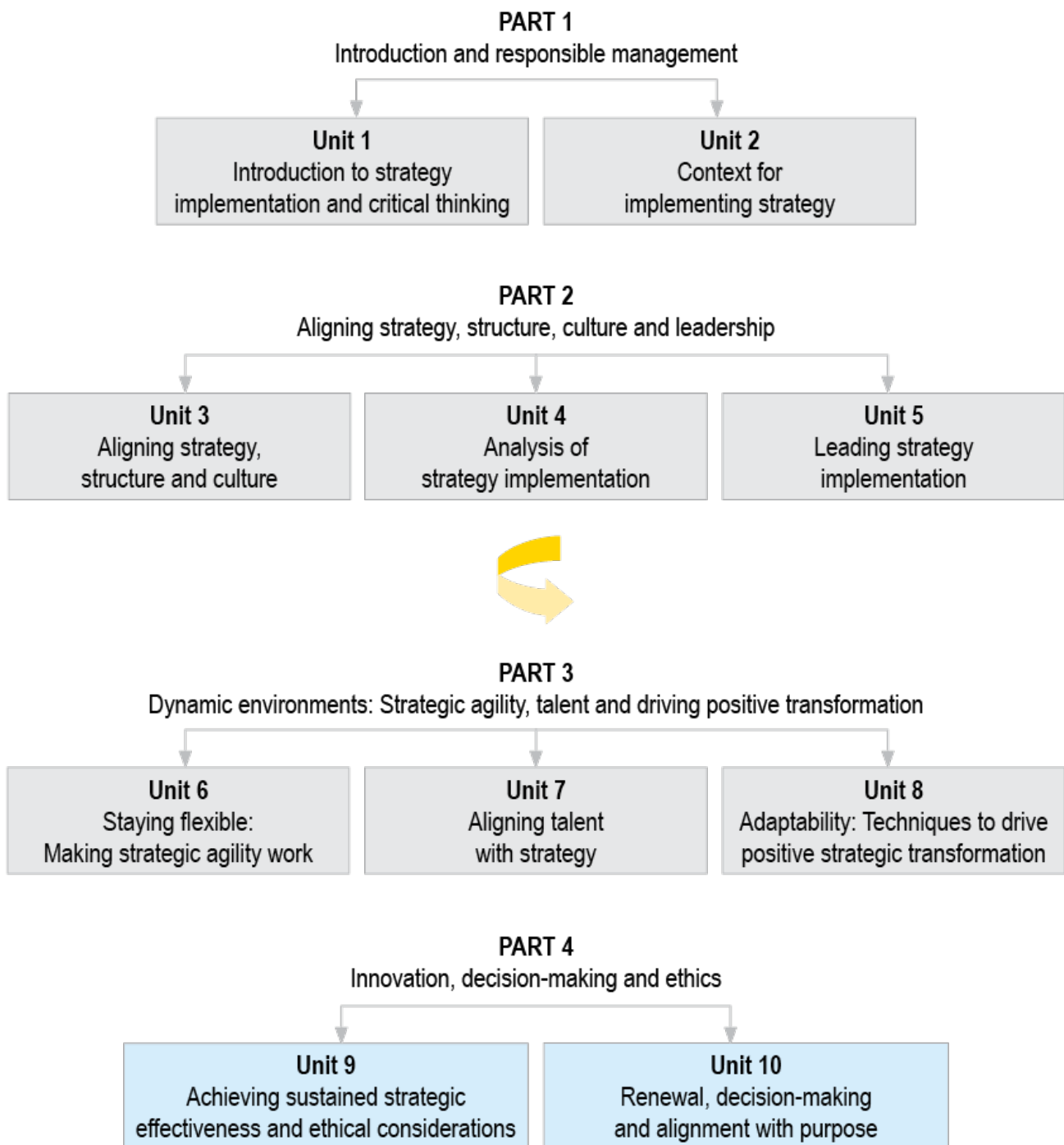
We have now completed the course. The aim of this course was to provide knowledge and insights for implementing strategy and for sustaining success in dynamic situations. The insights from this course apply to organisations,

including corporate, entrepreneurial, government and not-for-profit. I hope you have enjoyed our Implementing Strategy course, and it complements your other studies and experiences nicely.

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Binns, A, Harreld, J B, O'Reilly, C & Tushman, M L 2014, 'The art of strategic renewal', *MIT Sloan Management Review*, vol. 55, no. 2, pp. 21–23.

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Kramer, M R & Pfitzer, M W 2022 'The essential link between ESG targets and financial performance', *Harvard Business Review*, September-October, pp. 128–137.

Likierman, A 2020, 'The elements of good judgement: How to improve your decision-making', *Harvard Business Review*, January-February, pp. 102–111.

GLOSSARY OF KEY TERMS

UNIT 1 GLOSSARY

Key definitions used in this Unit are introduced in this short glossary that can then be used throughout the course. You can refresh your knowledge of some key terms introduced in this Unit by reviewing the definitions below.

These definitions are drawn from AGSM course materials, and from the articles by Sull et al (2018), Mintzberg (1987) and Paul & Elder (2014):

business-model	articulates the activities the organisation will be involved in and how to combine resources and capabilities to achieve and sustain the chosen strategic position.
crafting strategy	using 'crafting' as a metaphor for the process of formation. It proposes that the managers are like craftsmen and strategy is the clay. Mintzberg (1987) contrasts crafting strategy with planning strategy.
critical thinking	the disciplined art of ensuring that you use the best thinking you are capable of in any set of circumstances (read Paul & Elder (2014) for more detail and guidance on improving critical thinking practice).
deliberate strategy (also called 'planned strategy')	strategy that is planned and intended. Might be considered as being at the other end of a continuum with emergent strategy (Mintzberg 1987, p. 68).

emergent strategy	strategies that emerge without clear intentions. Might be considered as being at the other end of a continuum with deliberate strategy (Mintzberg 1987).
organisation	group of people who work interdependently towards some purpose. In this course, 'organisation' will apply to a range of organisations, including corporate, not-for-profit, government and startups.
organisation's mission	describes what the organisation does and the actions it will take.
organisation's purpose	goes beyond the mission to explain why the organisation does it.
organisation's values	indicate what they believe in.
organisation's vision	a forward-looking statement that captures what an organisation aspires to be and what ultimately the organisation would like to achieve.
realised strategy	the combination of planned and emergent strategies.
stakeholders	individuals, groups and other entities that affect or are affected by the organisations' objectives and actions. All those whose interests are affected by the organisation and hence would be affected by any decision the organisation takes and its outcomes.
strategic objectives	specific performance areas, outcomes or targets. The objectives create milestones or measures to guide and track the organisation's performance.
strategic priorities	a handful of actions the organisation must take to execute the strategy over the medium term that are forward-looking and action-oriented and focus attention on the handful of choices that matter most to the organisation's success over the next few years (Sull et al 2018, p. 26).
strategic thinking	includes three key sets of activities: assessing situations, recognising patterns and making decisions. It draws on cognitive psychology, systems thinking and game theory.

strategy	an externally oriented and integrated, set of choices of how an organisation will achieve its objectives.
sustainable management	a new management approach that creates organisations that value change and people and have the capability to implement strategies that generate profit, support social well-being and improve the environment (Lawler & Worley 2011, p. 6).
sustained organisational effectiveness	when an organisation generates sustainable outcomes and acts responsibly towards all stakeholders and can sustain effectiveness over time (Lawler & Worley 2011, pp. 6–7).

UNIT 2 GLOSSARY

These definitions are drawn from the AGSM Course materials, the Australian Institute of Company Directors and The Ethics Centre, 2019, the Corporate Finance Institute and the article by Porter & Kramer (2011).

artificial intelligence (AI)	a collection of interrelated technologies used to solve problems autonomously and perform tasks to achieve defined objectives without explicit guidance from a human being.
closed-loop planning	the closed-loop management system links strategy and operations in a strategic cycle that repeats.
congruence	alignment and interaction of various elements. An organisation will be effective when all the organisational elements are congruent – that is when they are aligned, consistent and interacting harmoniously with one another.
corporate social responsibility (CSR)	focus on 'doing good' – addressing societal needs and challenges by giving back and doing no/less harm.

crafting strategy	using 'crafting' as a metaphor for the process of formation. It proposes that the managers are like craftsmen and strategy is the clay. Mintzberg (1987) contrasts crafting strategy with planning strategy.
distributive justice	concerns the fair and equitable allocation of resources and burdens among members of a community. It concentrates on outcomes. There are many types of distributive norms, such as equality, equity, power, need and responsibility.
environmental, social and governance (ESG)	a framework that helps stakeholders understand how an organisation is managing risks and opportunities related to environmental, social and governance criteria (sometimes called ESG factors).
environmental, health and safety (EHS)	as far back as the 1980s, organisations in the United States were considering how to use regulation to manage or reduce pollution (and other negative externalities) produced in the pursuit of economic growth. They sought to also improve employee labour and safety standards, although much progress remains to be made even today.
equity, diversity, inclusion (EDI)	promotes the fair treatment and full participation of all people, especially populations that have historically been underrepresented or subject to discrimination because of their background, identity and disability etc.
ethics	the branch of knowledge and practice that seeks to answer the practical question 'what ought one do?'. This question applies to both individuals and organisations. Ethics is the choices we make and actions we take – as informed by the values and principles we hold and the purposes we serve – as individuals, communities and societies. Different lenses on ethics include: 1. general influences (society) 2. the organisation's ethical framework 3. interpersonal relationships and reasoning 4. the individual (each person as an ethical actor)

interactions	in organisational design, there can be interactions between various systems and subsystems because they influence each other and respond to each other. They are not independent; they interact. Understanding the interactions is key to using the open systems model to understand the organisation dynamics.
open systems model	model that takes the view of the whole as a set of interrelated and interdependent parts, arranged in a way to produce a unified whole, and which dynamically interreacts with the environment.
organisation culture	the values and assumptions shared within an organisation and is often referred to as 'the way that things are done around here'.
organisation design	both a noun 'the design' and a verb 'to design'. As a verb, 'organisational design' refers to a continuous and deliberate process of configuring the elements of the organisation (including structures, processes, reward systems and people practices) to create an effective organisation capable of achieving the strategy. As a noun, 'organisation design' is the configuration of the elements of the organisation.
organisation development	an applied behavioural science that aims to build capacity of the organisation for effectiveness against a broad set of criteria. Abbreviation = OD.
procedural justice	a focus on the fairness and transparency in the processes that resolve disputes and allocate resources, benefits and burdens. Principles include voice, respect, neutrality and trustworthiness.
shared value	policies and operating practices that enhance the competitiveness of an organisation while simultaneously advancing the economic and social conditions in the communities in which it operates.
social responsibility	an organisation's intention beyond that required by law or economics, to pursue long-term goals that are good for society, and to maximise benefits for a broader range of stakeholders.

stakeholders	individuals, groups and other entities that affect or are affected by the organisations' objectives and actions. All those whose interests are affected by the organisation and hence would be affected by any decision the organisation takes and its outcomes.
sustainability	development that meets the needs of the present without compromising the ability of future generations to meet their own needs (United Nations 1987).
sustainable management	a new management approach that creates organisations that value change and people and have the capability to implement strategies that generate profit, support social well-being and improve the environment (Lawler & Worley 2011, p. 6).
sustained organisational effectiveness	when an organisation generates sustainable outcomes and acts responsibly towards all stakeholders and can sustain effectiveness over time (Lawler & Worley 2011, pp. 6–7).
trade-offs	a situation where one thing sees an increase, and another must decrease for this to happen. For instance, accepting a non-optimal result for one factor to get a higher result for another factor – it isn't possible to optimise both factors at once.
trust	a belief in the integrity, character and ability of another. Followers who trust a leader are willing to be vulnerable to the leader's actions because they are confident that their rights and interests will not be abused. The trust comprises integrity, competency, consistency, loyalty and openness (based on McShane et al 2019, p. 668).
United Nations Sustainable Development Goals (UN SDGs)	a set of interconnected priorities and aspirations that was adopted by all members of the United Nations in 2015. The SDGs and their 169 targets are a call to action on the world's most pressing challenges.

UNIT 3 GLOSSARY

These definitions are drawn from AGSM course materials, and from the materials by Hubbard, Rice and Galvin (2018), McShane et al (2019), Robbins et al (2017) and Lawler III and Worley (2011).

centralisation	for organisation structure, 'centralisation' refers to the extent to which decision-making is retained by a small group of people, typically at the upper levels of the organisation. There's a continuum between centralised and decentralised.
congruence	alignment and interaction of various elements. An organisation will be effective when all the organisational elements are congruent – that is when they are aligned, consistent and interacting harmoniously with one another.
contingency theory	recognises that there is no 'one best'; a design that fits the situation will produce higher performance.
ecosystem	a convergence of industries. This is a broader perspective for strategy implementation, that considers industry boundaries are merging and looks more broadly, beyond the 'industry' to the 'ecosystem'.
employee empowerment	giving employees more authority to make decisions.
empowerment	a psychological concept in which people experience more self-determination, meaning, competence and impact regarding their role in the organisation.
employee engagement	an individual's emotional and cognitive motivation, particularly a focused, intense, persistent and purposive effort towards work-related goals.
formalisation	for organisation structure, 'formalisation' is the degree to which the organisation standardises behaviour through rules, procedures, formal training and other related mechanisms.
industry	there are classifications of specific industries, for instance, those defined by ANZSIC codes/classification.
job design	process of assigning tasks to a job, including the interdependency of those tasks with other jobs.
matrix structure	combines two structures to leverage the benefits of both. Employees report to two managers.

mechanistic structures	organisation structure with high levels of formalisation and centralisation, and a narrow span of control.
open systems model	model that takes the view of the whole as a set of interrelated interdependent parts, arranged in a way to produce a unified whole, and which dynamically interreacts with the environment.
organic structures	organisation structure with low levels of formalisation and centralisation, and a broad span of control.
organisation culture	the values and assumptions shared within an organisation and is often referred to as 'the way that things are done around here'.
organisation design	both a noun 'the design' and a verb 'to design'. As a verb, 'organisational design' refers to a continuous and deliberate process of configuring the elements of the organisation (including structures, processes, reward systems and people practices) to create an effective organisation capable of achieving the strategy. As a noun, 'organisation design' is the configuration of the elements of the organisation.
organisation development	an applied behavioural science that aims to build capacity of the organisation for effectiveness against a broad set of criteria. Abbreviation = OD.
organisation structure	concerned with the division of labour and patterns of coordination, communication, workflow and formal power that direct organisational activities.
span of control	number of people directly reporting to the next level in the hierarchy. A narrow span of control is when a small number of people report to the next level. A broad span of control is when a large number of people report to the next level.
sustained organisational effectiveness	when an organisation generates sustainable outcomes and acts responsibly towards all stakeholders and can sustain effectiveness over time (Lawler & Worley 2011, pp. 6–7).
trade-off	a situation where one thing sees an increase, and another must decrease for this to happen. For instance, accepting a non-optimal result for one factor to get a higher result for another factor – it isn't possible to optimise both factors at once.

unit of analysis (UOA)	in systems analysis, the UOA is the item of focus. It is defined by everything that is internal to the boundary. Items external to the boundary are the 'environment' for the purpose of the analysis.

UNIT 4 GLOSSARY

These definitions are drawn from AGSM course materials, and from the articles by Birkenshaw & Gibson (2004), Goold, Campbell & Alexander (1994), Reeves, Love & Tillmanns (2012), Safety Culture and ISO 31000 Risk Management Guidelines.

adaptability	the ability to move quickly towards new opportunities, to adjust to volatile markets and to avoid complacency (Birkenshaw & Gibson 2004).
alignment	a clear sense of how value is being created in the short term and how activities should be coordinated and streamlined to deliver that value (Birkenshaw & Gibson 2004).
boundaryless structure	an organisation structure that is not defined by or limited to artificial horizontal, vertical or external boundaries. Includes virtual, networked and modular types of organisations.
corporate parenting	this approach seeks to understand how the corporate parent can add value to that independent business firm. The 'parent' usually has more than one business.
corporate parenting advantage	the extent to which subsidiaries that are owned by one corporate parent perform better than they would under the stewardship of a different parent.
corporate strategy	concerned with what businesses an organisation should be in or wants to be in. Corporate strategy determines the direction of the organisation as a whole, and the roles that any business unit will play in pursuing that direction.

diversification	the entry of a firm or business unit into new lines of activity. This might occur through processes of internal business development or through acquisition, which entails changes in its administrative structure, systems and other management processes.
ecosystem	a convergence of industries. This is a broader perspective for strategy implementation, that considers industry boundaries are merging and looks more broadly, beyond the 'industry' to the 'ecosystem'.
industry	there are classifications of specific industries, for instance, those defined by ANZSIC codes/classification.
learning organisation	an organisational structure that supports an organisation's capacity to adapt and change continuously. Employees share and apply knowledge, and the organisation has the ability to learn.
malleability (in PM matrix)	in the context of the PM matrix, 'malleability' is a measure of the extent to which your organisation or your competitors influence the following future demand, corporate performance, competitive dynamics and market expectations.
open systems model	model that takes the view of the whole as a set of interrelated interdependent parts, arranged in a way to produce a unified whole, and which dynamically interreacts with the environment.
organisational ambidexterity	when an organisation can meet two needs at once – to explore and exploit – it has the ability to master both adaptability and alignment.
predictability (in PM matrix)	in the context of the PM matrix, 'predictability' is a measure of how far into the future and how accurately can your organisation confidently forecast demand, corporate performance, competitive dynamics and market expectations.
risk	effect of uncertainty on objectives.

risk assessment	a systematic approach to recognising and characterising risks, and evaluating their significance, in order to support decisions about how to manage them – "the overall process of risk identification, risk analysis and risk evaluation" (ISO 31000).
risk management	a systematic approach to managing risks, that consists of "coordinated activities to direct and control an organization with regard to risk" (ISO 31000).
risk mitigation	the strategy that organisations use to lessen the effects of business risks. It's similar to the risk reduction process, wherein potential business threats are identified before the organisation takes the necessary steps to lessen the effects of these factors.

UNIT 5 GLOSSARY

These definitions are drawn from AGSM course materials, and from the articles by Sull et al (2018), Mintzberg (1987), Paul and Elder (2014), Birkenshaw and Gibson (2004), Reeves, Love and Tillmanns (2012) and McShane et al (2019).

agency	the capacity to act. The capacity of individuals to have the power and resources to fulfill their potential. independent capability or ability to act on one's will. Behavioural agency, therefore, implies the ability to perceive and change the environment of the agent.
congruence	alignment and interaction of various elements. An organisation will be effective when all the organisational elements are congruent – that is when they are aligned, consistent and interacting harmoniously with one another.
equity, diversity and inclusion (EDI)	promotes the fair treatment and full participation of all people, especially populations that have historically been underrepresented or subject to discrimination because of their background, identity and disability etc.

ethics	the branch of knowledge and practice that seeks to answer the practical question 'what ought one do?'. This question applies to both individuals and organisations.
	Ethics is the choices we make and actions we take – as informed by the values and principles we hold and the purposes we serve – as individuals, communities and societies.
	Different lenses on ethics include:
	1. general influences (society)
	2. the organisation's ethical framework
	3. interpersonal relationships and reasoning
	4. the individual (each person as an ethical actor)
employee engagement	an individual's emotional and cognitive motivation, particularly a focused, intense, persistent and purposive effort toward work-related goals.
leadership	the process of influencing a group to achieve goals.
organisation design	both a noun 'the design' and a verb 'to design'. As a verb, 'organisational design' refers to a continuous and deliberate process of configuring the elements of the organisation (including structures, processes, reward systems and people practices) to create an effective organisation capable of achieving the strategy. As a noun, 'organisation design' is the configuration of the elements of the organisation.
shared value	policies and operating practices that enhance the competitiveness of an organisation while simultaneously advancing the economic and social conditions in the communities in which it operates.
stakeholders	individuals, groups and other entities that affect, or are affected by, the organisations' objectives and actions. All those whose interests are affected by your organisation and hence would be affected by any decision your organisation takes and its outcomes.
strategists	agents who plan, craft and lead strategic renewal, and play key roles in strategy implementation and its process.

sustained organisational effectiveness	when an organisation generates sustainable outcomes and acts responsibly towards all stakeholders and can sustain effectiveness over time (Lawler & Worley 2011, pp. 6–7).
trust	a belief in the integrity, character and ability of another. Followers who trust a leader are willing to be vulnerable to the leader's actions because they are confident that their rights and interests will not be abused. The trust comprises integrity, competency, consistency, loyalty and openness (based on McShane et al 2019, p. 668).
unit of analysis (UOA)	in systems analysis, the UOA is the item of focus. It is defined by everything that is internal to the boundary. Items external to the boundary are the 'environment' for the purpose of the analysis.
United Nations Sustainable Development Goals (UN SDGs)	a set of interconnected priorities and aspirations, adopted by all members of the United Nations in 2015. The SDGs and their 169 targets are a call to action on the world's most pressing challenges.

UNIT 6 GLOSSARY

These definitions are drawn from AGSM course materials, and from the articles by Sull et al (2018), CSIRO (2022) and Hamel and Valikangas (2003).

agile organisations	organisations that can make timely, effective and sustained changes, and which are always subject to and ready for reform. Change is strategically relevant for competitive advantage.
dynamic capability	when an organisation has the potential to sense opportunities and threats, solve problems and change the organisation's resources and processes.
megatrends	trajectories of change that typically unfold over years or decades and have the potential for substantial and transformative impact.

organisational resilience	the ability to dynamically reinvent business-models and strategies as circumstances change to continuously anticipate and adjust to changes that threaten their core earning power – and to change before the need becomes desperately obvious.
stakeholders	individuals, groups and other entities that affect, or are affected by, the organisations' objectives and actions. All those whose interests are affected by your organisation and hence would be affected by any decision your organisation takes and its outcomes.
sustained organisational effectiveness	when an organisation generates sustainable outcomes and acts responsibly towards all stakeholders and can sustain effectiveness over time (Lawler & Worley 2011, pp. 6–7).
VUCA	volatility, uncertainty, complexity, ambiguity in the environment, workplace or conditions.

UNIT 7 GLOSSARY

These definitions are drawn from AGSM course materials, Nankervis et al (2017), Australian Institute of Company Directors and The Ethics Centre (2019), and the articles by Lawler and Worley (2011), Porter & Kramer (2011) and Kaplan and Norton (2006).

agile organisations	organisations that can make timely, effective and sustained changes, and which are always subject to and ready for reform. Change is strategically relevant for competitive advantage.
balanced scorecard	an integrative strategic management tool where employees, teams and business units are set goals and are assessed across four quadrants: financial, customer, internal business processes and learning and innovation.
dynamic capability	when an organisation has the potential to sense opportunities and threats, solve problems and change the organisation's resources and processes.

ethics	the branch of knowledge and practice that seeks to answer the practical question 'what ought one do?'. This question applies to both individuals and organisations.
	Ethics is the choices we make and actions we take – as informed by the values and principles we hold and the purposes we serve – as individuals, communities and societies.
	Different lenses on ethics include:
	1. general influences (society)
	2. the organisation's ethical framework
	3. interpersonal relationships and reasoning
	4. the individual (each person as an ethical actor)
human capital	the relationships and networks that enable the creation and transfer of knowledge and organisational capital.
human resource management (HRM)	the management of employees for their own benefit and for their organisations.
strategic human resource management (strategic HRM or SHRM)	a coordinated and integrated approach to HRM which ensures that HRM strategies and processes are aligned with broad organisational goals and strategies (Nankervis et al 2017, p. 6).
shared value	policies and operating practices that enhance the competitiveness of an organisation while simultaneously advancing the economic and social conditions in the communities in which it operates.
stakeholders	individuals, groups and other entities that affect, or are affected by, the organisations' objectives and actions. All those whose interests are affected by your organisation and hence would be affected by any decision your organisation takes and its outcomes.

sustainable management	a new management approach that creates organisations that value change and people and have the capability to implement strategies that generate profit, support social wellbeing and improve the environment (Lawler & Worley 2011, p. 6).
sustained organisational effectiveness	when an organisation generates sustainable outcomes and acts responsibly towards all stakeholders and can sustain effectiveness over time (Lawler & Worley 2011, pp. 6–7).
talent management	the attraction and retention of skilled talent

UNIT 8 GLOSSARY

These definitions are drawn from AGSM course materials, and from the articles by Stavros and Wooten (2011), Burgelman and Grove (1996) and Bower and Christensen (1995).

disruptive innovation	this type of innovation sacrifices performance along dimensions that are important to customers to offer a very different package of attributes that are not yet valued by customers, but which can open up entirely new markets (contrasts with 'sustaining innovation').
disruptive technology	when a new technology upends an old one.
innovation	the application of ideas or inventions in ways that are popular to the target consumer.
SOAR	SOAR is an approach for framing strategy through a positive organisational scholarship (POS) lens. SOAR stands for strengths, opportunities, aspirations and results.
strategic adaptability	enables strategic transformation to align with strategic priorities, focusing on the tactical strategy moves that organisations can adopt and coordinate to create distinctive market space and growth. It is strategists' actions and decisions that create consistent implementation outcomes.

strategic dissonance	divergences between strategic intent and strategic action cause strategic dissonance.
strategic inflection point (SIP)	use strategic inflection point metaphorically to describe the giving way of one type of industry dynamics to another; the change of one winning strategy into another; the replacement of an existing technological regime by a new one.
sustaining innovation	that maintains a steady rate of product improvement (contrasts with 'disruptive innovation').

UNIT 9 GLOSSARY

These definitions are drawn from AGSM course materials, and from the articles by Sull et al (2018), Mintzberg (1987) and Paul & Elder (2014):

blockchain	a digital technology – a distributed or decentralised ledger – a digital system for recording transactions among multiple parties in a verifiable and tamperproof way.
core competencies	a subset of the organisation's capabilities; those capabilities or resources that provide a source of competitive advantage for an organisation over its rivals. To identify them, we might typically apply tests such as the VRIO framework.
core rigidity	the situation where a firm's core capabilities (strengths) cause the organisation to be inflexible or unyielding (weaknesses). Core rigidities are built through the same activities that create core capabilities.
escalation of commitment	the tendency of decision-makers to rationalise and persist with a course of action, usually continuing to invest in a failing cause in proving that the original choice and investment were sound.
ethics	the branch of knowledge and practice that seeks to answer the practical question 'what ought one do?'. This question applies to both individuals and organisations.
innovation	the application of ideas or inventions in ways that are popular to the target consumer.

learning organisation	an organisational structure that supports an organisation's capacity to adapt and change continuously. Employees share and apply knowledge and the organisation has the ability to learn.
organisation	group of people who work interdependently toward some purpose. In this course, 'organisation' will apply to a range of organisations, including corporate, not-for-profit, government and startups.
stakeholders	individuals, groups and other entities that affect, or are affected by, the organisations' objectives and actions. All those whose interests are affected by your organisation and hence would be affected by any decision your organisation takes and its outcomes.
strategic learning	learning behaviours and processes that facilitate and support future strategic initiatives. Knowledge of core capabilities that enable organisations to seek and use competencies to become effective.
sustained organisational effectiveness	when an organisation generates sustainable outcomes and acts responsibly towards all stakeholders and can sustain effectiveness over time (Lawler & Worley 2011, pp. 6–7).
VRIO Framework	resources and capabilities are core competencies that give the organisation a sustained competitive advantage if it is VRIO (valuable, rare, costly to imitate and non-substitutable).

UNIT 10 GLOSSARY

These definitions are drawn from AGSM course materials, and from the articles by Lawler III and Worley (2011), Doerr (2017) and Porter & Kramer (2011).

business-model	articulates the activities the organisation will be involved in and how to combine resources and capabilities to achieve and sustain the chosen strategic position.

OKRs	objectives and key results. • OBJECTIVE: WHAT is to be achieved? Objectives are significant, concrete, action-oriented and (ideally) inspirational. • KEY RESULTS: benchmark and monitor HOW we get to the objectives. Effective KRs are specific and time-bound, aggressive, yet realistic; measurable and verifiable.
shared value	policies and operating practices that enhance the competitiveness of an organisation while simultaneously advancing the economic and social conditions in the communities in which it operates.
stakeholders	individuals, groups and other entities that affect or are affected by the organisations' objectives and actions. All those whose interests are affected by your organisation and hence would be affected by any decision your organisation takes and its outcomes.
strategic renewal	proactive corporate transformation – before a crisis hits.
strategy-as-practice	an applied approach to a strategy focused on micro-level social activities, processes and practices that characterise strategising; how strategists go about making strategy and how these practices contribute to creating strategy.
sustained organisational effectiveness	when an organisation generates sustainable outcomes and acts responsibly towards all stakeholders and can sustain effectiveness over time (Lawler & Worley 2011, pp. 6–7).
United Nations Sustainable Development Goals (UN SDGs)	a set of interconnected priorities and aspirations, adopted by all members of the United Nations in 2015. The SDGs and their 169 targets are a call to action on the world's most pressing challenges